

**FINAL EVALUATION
ZIMBABWE GRAIN MARKETING REFORM SUPPORT PROGRAM (613-0233)
AND THE
GRAIN MARKETING REFORM RESEARCH PROJECT (613-0234)**

Prepared for:

Agricultural Policy Analysis Project, Phase III
And
USAID/Zimbabwe

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EXECUTIVE SUMMARY

The Government of Zimbabwe has undertaken a grain market reform program which, since its initiation in 1991, has substantially freed the movement of grain throughout the country, increased competition in procurement, transport, milling and distribution of maize, and increased the availability of food to lower income, food insecure segments of the population. At the same time, Zimbabwe's Grain Marketing Board (GMB) has been restructured to operate on a more commercial basis; government subsidies for commercial operations and their contribution to public deficits have been significantly reduced; and a Strategic Grain Reserve (SGR) has been established. GMB continues to have residual responsibility as buyer of last resort for maize and for the physical management of the SGR grain stock, which now has a separate management committee and a separate set of financial accounts. Government has agreed to pay GMB for all costs associated with the non-commercial, public sector activities it is asked to undertake.

USAID's Grain Marketing Reform Support Program (GMRSP) and Grain Marketing Reform Research Project (GMRRP), operating within the broad framework of Zimbabwe's Economic Structural Adjustment Program (ESAP), played a major role in these substantial grain market reforms during the period 1991-1997. There is clear evidence that USAID-financed activities speeded the pace of reform well beyond what knowledgeable outside observers believed possible at the outset. This occurred despite the worst drought of the century in 1991/92, another severe drought in 1994/95 and excessive rainfall and crop damage in 1996/97. It has been, in short, a remarkable achievement.

Evidence of the magnitude of the achievements is signaled by:

- Grain marketing in Zimbabwe was transformed from 1991 and 1997 from the highly-centralized, subsidized and protected system depicted in Figure 1 on page 33 to a privately-oriented, unsubsidized and decentralized system as portrayed in Figure 2 on page 35.
- In 1990, private trading of maize between non-contiguous communal districts was prohibited. Now there are no prohibitions against the private transporting of maize anywhere in the country.
- The Grain Marketing Board's share of domestically Sales of maize declined from 100 percent in 1990 to 10 percent in 1997.
- GMB's total staffing has declined from 5,200 employees in 1990 to 2,600 in 1997. There are plans to further reduce this level to less than 1,000 over the next 24 months.
- In 1990, virtually all the maize marketed in rural Zimbabwe was in the form of expensive refined maize meal which had been milled at the large central mills. In 1997, the vast majority of maize marketed in rural Zimbabwe is in the form of grain or inexpensive 'straight-run' meal, milled largely by small hammermills.
- Three-fourths of all small-scale milling (hammermills) now operating in rural Zimbabwe have come into existence since the reform program began in 1991. In the urban areas, nearly 100 percent of hammermills have come into existence since 1990.

Among the more noteworthy lessons are:

- The use of Non-Project Assistance (NPA) as the assistance tool of choice was critically important to the success of the grain market reform effort.
- Pre-program analysis undertaken in the Michigan State University Food Security II project was another key element to the sound design of the USAID program/project assistance efforts in grain marketing reform.

- Significant policy reforms in food marketing need to be supported over the long term, especially in a country as food insecure as is Zimbabwe. Not to ‘stay the course’ for as long as necessary to institutionalize successes invites subsequent backsliding, especially during times of stress on the food systems.
- Impacts on rural households in a country as poorly served by infrastructure as Zimbabwe take a long time to be fully felt. Monitoring these impacts over the longest possible time period is essential. Since most USAID projects are of relatively short duration, this monitoring needs to be ‘institutionalized’ within the recipient country so that it can be sustained after the USAID assistance is completed.

The Evaluation Team’s major conclusions are:

- The USAID-assisted grain market reform program has not only been successful, it has been a greater success than anyone could have envisioned at the outset. This is attributable to excellent pre-project preparation, an early decision to tackle a set of problems of national importance to Zimbabwe, an extremely well-designed program/project combination and an exemplary willingness on the part of key Zimbabwean government officials to move toward market liberalization in the face of deep-seated concerns and overt criticisms.
- The circumstances of USAID’s decision not to proceed with the Fourth Tranche release and its deobligation of committed funds for studies and monitoring because the Government of Zimbabwe (GOZ) had not met the full conditionality for release would be an extremely useful – if not classic – case study of conflicting objectives within the Agency between, on the one hand, flexibility and patience at the country program level to achieve an original set of objectives against, on the other hand, USAID/Washington changes in global goals, objectives and procedures requiring that all on-going programs either conform or be phased out as soon as practicable.
- The ultimate challenge to what have been outstanding accomplishments resulting from USAID’s support of grain marketing reform will probably come with the next severe drought and food production shortfalls. Will the new, decentralized system be robust enough to provide the food needed without reversion to increased government controls?
- The major food security impact of USAID efforts has been to increase food availability in the rural areas and to reduce the prices of subsistence foods in both rural and urban areas. The impact on improved ability of households to access the food they need is less clear.
- Inadequate market information has emerged as a major constraint to further improvements in household food security.
- There is need to totally sever the increasingly commercialized activities of the GMB from the residual public sector functions it is still called on to perform – most notably the management of the Strategic Grain Reserve (SGR).

Recommended actions include:

- Finding financial support for a small number of key studies needed to underpin further liberalization actions and publicizing the studies already finished which continue to have relevance for a wide audience of development organizations;
- Keeping the impact monitoring alive by strengthening the ability of Zimbabwean organizations to conduct monitoring within a multi-donor context;
- Making fundamental improvements in the market information system in ways that increase public knowledge about food production, stocks and prices;
- Establishing a coordinating body within the government to oversee all aspects of national and household food security.

TABLE OF ACRONYMS

AGRITEX	Agricultural Technical and Extension Service
API	Assessment of Program Indicators
CFU	Commercial Farmers' Union
CP	Conditions Precedent to Disbursement
CPSP	Country Program Strategy Plan
CSO	Central Statistics Office
DHS	Demographic and Health Survey
ESAP	Economic Structural Adjustment Program
FAO	Food and Agriculture Organization
FEWS	Famine Early Warning System
GDP	Gross Domestic Product
GLS	Grain Loan Scheme
GMB	Grain Marketing Board
GMRRP	Grain Marketing Reform Research Project ("Project")
GMRSP	Grain Marketing Reform Support Program ("Program")
GOZ	Government of Zimbabwe
GRAMARR	Grain Marketing Reform Research Project (institutional contract)
HPC	Horticulture Promotion Council
ICB	Industrial and Commercial Buyers
ICFU	Indigenous Commercial Farmers' Union
IDA	International Development Assistance
IMF	International Monetary Fund
MLA	Ministry of Lands and Agriculture
MSU	Michigan State University
MT	Metric Tons
NFSC	National Food Security Commission (proposed)
NPA	Non-Project Assistance
OGIL	Open General Import Licensing
PAAD	Program Assistance Approval Document
PACD	Project Activity Completion Date
PSIP	Public Sector Investment Program
SADC	Southern Africa Development Council
SADCC	Southern Africa Development Coordination Conference
SDA	Social Dimensions of Adjustment
SDR	Special Drawing Rights
SO	Strategic Objective
SOW	Scope of Work
SSMA	Small Scale Millers' Association
UDI	Unilateral Declaration of Independence
USAID	United States Agency for International Development
ZFU	Zimbabwe Farmers Union
ZIMACE	Zimbabwe Agricultural Commodity Exchange

Table of Contents

EXECUTIVE SUMMARY	II
TABLE OF ACRONYMS.....	IV
I. INTRODUCTION AND BACKGROUND.....	1
A. INTRODUCTION	1
B. BACKGROUND	2
1. The Overall Setting	2
2. Agriculture Sector	3
3. The Maize Sub-Sector	5
4. Maize Marketing and the Role of the Grain Marketing Board.....	6
5. The Food Security Situation.....	9
6. The Economic Structural Adjustment Program (ESAP)	11
II THE GMRS PROGRAM AND GMRR PROJECT	13
A. ORIGINAL PROGRAM CONCEPT AND DESIGN	13
1. Program Concept.....	13
2. Design of the Program	14
B. INTENDED IMPLEMENTATION OF THE PROGRAM	15
1. Program Conditionality	15
C. ACTUAL IMPLEMENTATION OF THE PROGRAM, 1992 – PRESENT.....	19
D. ORIGINAL PROJECT CONCEPT AND DESIGN	22
1. Concept of the Project.....	22
2. Design of the Project.....	22
E. IMPLEMENTATION OF THE PROJECT.....	25
F. PLANNED AND ACTUAL FINANCIAL CONTRIBUTIONS.....	28
1. Grain Marketing Reform Support Program (613-0233).....	28
2. Grain Marketing Reform Research Project (613-0234).....	29
G. GRAIN MARKET REFORMS DURING 1992-1997.....	30
H. ACHIEVEMENTS IN GRAIN MARKETING REFORM, 1992-1997	35
1. Grain Marketing Policy Reforms	35
2. The Evolution of GMB's Deficit Situation	37
3. Changes in the Structure and Functions of the GMB	39
4. Effect on Commercial Mills	42
I. IMPACT ON THE RURAL POOR TARGET GROUPS	43
1. Evidence of Increased Private Trader Purchases and Sales of Grain	46
2. Evidence of Changing GMB Activities in Deficit Regions.....	47
3. Evidence of Increased Hammermiller Activity in Rural and Urban Areas	49
4. Increased Consumption of Straight-run Meal.	49
5. Evidence of Increased Incomes Among the Rural Poor. Error! Bookmark not defined.	
6. Maize Meal Price Trends in Communal Areas: Straight Run vs. Roller Meal Error!	
7. Summary Review of the Importance of the Impacts. Error! Bookmark not defined.	
J. ACTUAL IMPACT OF MACROECONOMIC PERFORMANCE 1992-97 Error!	
BOOKMARK NOT DEFINED.	

III. EVALUATION OF THE PROGRAM AND PROJECT **ERROR! BOOKMARK NOT DEFINED.**

- A. OVERALL ASSESSMENT AND COMMENTS**ERROR! BOOKMARK NOT DEFINED.**
- B. APPROPRIATENESS OF NON-PROJECT ASSISTANCE**ERROR! BOOKMARK NOT DEFINED.**
- C. ORIGINAL USAID DECISION TO SUPPORT GRAIN MARKETING REFORM
ERROR! BOOKMARK NOT DEFINED.
- D. OVERALL DESIGN OF THE PROGRAM AND PROJECT**ERROR! BOOKMARK NOT DEFINED.**
 - 1. *The Original Program Design* **Error! Bookmark not defined.**
 - 2. *1994/95 Restated Goal, Sub-Goal, Strategic Objective No. 1 and Targets***Error! Bookmark not defined.**
 - 3. *Original Research Project Design*..... **Error! Bookmark not defined.**
 - 4. *Amended Goal, Purpose and Outputs of the Project*..... **Error! Bookmark not defined.**
- E. IMPORTANT ISSUES RELATED TO THE REFORM PROCESS ITSELF**ERROR! BOOKMARK NOT DEFINED.**
 - 1. *Pricing Policy*..... **Error! Bookmark not defined.**
 - 2. *Markets and Price Performance* **Error! Bookmark not defined.**
 - 3. *Strategic Grain Reserve* **Error! Bookmark not defined.**

IV. LESSONS, CONCLUSIONS, & RECOMMENDATIONS**ERROR! BOOKMARK NOT DEFINED.**

- A. LESSONS LEARNED**ERROR! BOOKMARK NOT DEFINED.**
- B. CONCLUSIONS**ERROR! BOOKMARK NOT DEFINED.**
- C. RECOMMENDATIONS.....**ERROR! BOOKMARK NOT DEFINED.**
 - 1. *Recommendations for USAID/Zimbabwe or USAID/Washington.***Error! Bookmark not defined.**
 - 2. *Recommendations for the Government of Zimbabwe. ...* **Error! Bookmark not defined.**

V. ANNEXES..... A-1

I. INTRODUCTION AND BACKGROUND

A. INTRODUCTION

USAID contracted for this evaluation through the Agricultural Policy Analysis Project (APAP III) for which Abt Associates Inc. is the prime contractor and ISTI a subcontractor. The evaluation team was comprised of Barry Riley, Team Leader, Abt Associates Consultant and Food Security Policy Specialist; Don Larson, ISTI Consultant and Agribusiness Marketing Specialist, Christine Erbacher, Abt Associates Senior Analyst and Agribusiness and Financial Policy Specialist; Mark D. Newman, Abt Associates Principal Associate and Agricultural and Food Policy Specialist; Kizito Mazvimavi, Abt Associates Consultant and Agricultural Research and Extension Specialist; Ephias Makaudze, Agriculture and Food Policy Specialist; Stanley Tshouma, Field Research Specialist; and Mercy Gwembe, Logistics Coordinator.

In undertaking this evaluation, the Team conducted interviews in Harare and in the field with a wide range of government officials, private operators, farmers and international donor and financial institution representatives. Project and program documentation and technical reports produced under the project were reviewed in detail, as were numerous additional documents. Preliminary conclusions were discussed with USAID, GMB and the Ministry of Lands and Agriculture. Comments received have contributed significantly to development of this Report.

This evaluation report (“Report”) consists of five sections: I – *Introduction and Background*; II – *Descriptive Narrative*; III – *Evaluative Narrative*; IV – *Lessons learned, Conclusions and Recommendations*; V – *Annexes*. For clarity’s sake the material describing the genesis of the Zimbabwe Grain Marketing Reform Support “Program” and the associated Zimbabwe Grain Marketing Reform Research “Project,” the actual implementation activities and the resulting consequences and the policy environment in which they operated are presented separately in Section II from the evaluative commentary in Section III and the summary statement of conclusions, findings and recommendations in Section IV.

As specified in Article IV (“Scope of Work”) of Delivery Order No. 802 – which has guided the conduct of the evaluation – this is a “final” evaluation of the Program and subsidiary Project. It deals more extensively with issues of overall effectiveness in achieving goals and purposes and with the nature and magnitudes of intended and unintended impacts on beneficiaries than is normally the case with other types of evaluation which tend to focus on improving on-going ‘processes’ more than on the extent and nature of ‘accomplishments’. The Team is required by the SOW to assess the appropriateness of the original stated objectives (and implicitly, the assumptions – stated and unstated – upon which achievement of those objectives was adjudged possible). In a similar vein, the Team is asked to “...assess the appropriateness of the Program to the

country's economic setting and provide direction for future USAID or other donor support to this sector..." In addition, effort is devoted to assessing output levels achieved under the Program and the Project and the relationship of the quantitative and qualitative aspects of these outputs to achievements at the 'purpose' level and to overall progress toward the stated goals.

The Scope of Work governing the evaluation of the Research Project – as a supporting element to the Program – instructs the Team to determine its "complimentarity" and its effectiveness in assisting the Program to meet overall objectives. The assessment of the components of the Project – principally the review of the impact of the 31 completed studies and papers – is included in this Report in separate subsections in Parts II, III and IV below. Annex 5 summarizes the Team's commentary on the major studies.

The Program and Project were developed by USAID and the GOZ within the context of the poor performance of the Zimbabwean economy in the latter half of the 1980s and the GOZ's explicit realization in 1990/91 that macroeconomic reforms were urgently required to improve economic performance. In order to understand the genesis of a USAID assistance effort specifically designed to liberalize and speed reforms within the grain marketing sector – and to evaluate the design and implementation of the Program/Project within the context of the economic setting and dynamics of the time – the following Background section describes the context in which the concept of the Program was shaped and implementation initiated.

B. BACKGROUND

1. The Overall Setting

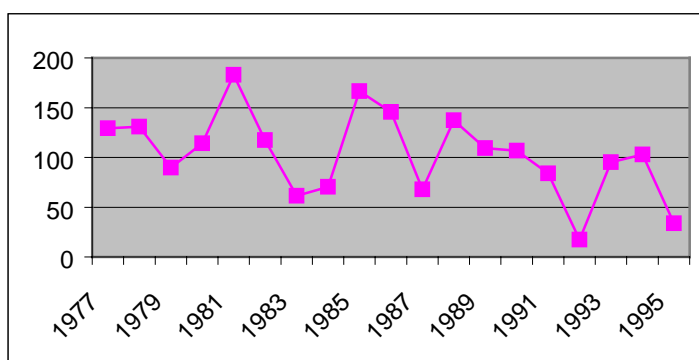
Zimbabwe gained its independence in 1980, after a period of 15 years of post-colonial, minority government (the so-called 'UDI' period). A major objective of the new Zimbabwean government in 1980 was to redress the social inequalities which had been perpetuated during UDI. Improving access to health and education services for the majority of the population became the priority for the new government and the impressive accomplishments in these areas in the decade following independence is reflected in the rapid improvements in socioeconomic indicators, compared to the rest of Sub-Saharan Africa, that are found in Table A2 of Annex 2.

Unfortunately, GOZ expenditures in these social areas came at the expense of investments in more immediately productive sectors of the economy. Public investment – largely in these social programs – made up 45 percent of GDP during the 1980s, serving to crowd out private investment and fueling inflationary pressures. By the end of the 1980s, anemic GDP growth, high inflation, inadequate rates of private investment and domestic savings, sluggish growth in agricultural and manufacturing output and excessive government involvement in, or control over, the major sectors of the economy threatened to erode not only progress achieved in the social sectors but the continued economic

stability and viability of the country. By the late 1980s, for example, the surge in educated school-leavers created by the success of the government's social programs had leapt ahead of the economy's ability to create jobs for them. A massive group of educated, but unemployed, young people was being created and the Government of Zimbabwe, increasingly concerned about this problem and a number of others, concluded that a major change in its economic strategy had become necessary.

In 1991, the GOZ initiated a series of discussions with the international lending agencies and bilateral donors intended to put in place a program of economic and administrative reforms to improve sustainable economic performance, accelerate employment creation and reduce government expenditures and debt. The resulting Economic Structural Adjustment Program (ESAP), launched in 1991, provided the essential framework within which USAID's "Zimbabwe Grain Marketing Reform Support Program" and "Zimbabwe Grain Marketing Reform Research Project" could be developed. The ESAP is described (albeit briefly) in Section B.6. below.

Chart 1 Index of Per Capita Agricultural Production in Zimbabwe, 1977-1995



(1989-91 = 100)
Source: FAOSTAT database

2. Agriculture Sector

The economy of Zimbabwe, with its 12 million inhabitants, rests to a large degree on agriculture. In comparison to most African countries, however, Zimbabwe evinces a reasonably well-developed manufacturing sector, a relatively sophisticated banking sector and the aforementioned large social services sector. Nonetheless, the largest employer, and a major component of GDP and export earnings, was the production, transport, storing, and marketing of crops and animal products which together comprise the agriculture sector. Altogether, some 7.1 million Zimbabweans earn their principal livelihood directly from agricultural production, including 5.3 million on communal farms. About half of the manufacturing sector in 1990 relied on the agricultural sector for

inputs, employing another 1.5 million in the process. Thus, the majority of Zimbabwe's population rely on agriculture or agribusiness as their principal means of livelihood.

Due to the particulars of its colonial past, Zimbabwe's rural economy was (and is) characterized by extreme dualism. Some 33 percent (11.2 million ha) of its land area – constituting the best quality lands in Natural Regions I, II, and III (see Map) – is allocated among approximately 4,800 large scale commercial farmers (who account for about 80 percent of national agricultural production). About 42 percent of mostly lower-potential land (16.3 million ha, largely in Natural Regions IV and V) is allocated to more than one million communal smallholder households who produce about 20 percent of national agricultural production. The European commercial farms average some 3,000 ha in size while the communal farms average only about three ha of arable land. The majority of these latter farms are situated in semi-arid, drought-prone areas of the country. Incomes of communal households average about US\$100 per year.

Maize, millet, sorghum and groundnuts are the principal food crops grown by virtually all smallholders. Maize is the dominant food crop grown, but the small grains – red and white sorghums and finger and pearl millets – are important food crops grown in some parts of semiarid Natural Regions IV and V. Cotton is becoming as significant cash-earner for an increasing number of communal farmers and now accounts for an estimated 20 percent of the value of all cash crops grown by these poor households. Sunflowers, tobacco and soybeans are other cash crops grown by an increasing (but still small) number of these communal households.

There was considerable change in the agricultural sector in the decade after independence as the GOZ sought to increase investment in the communal sector (e.g. in transport, infrastructure, credit, extension and marketing services). Communal farmer maize production increased dramatically as demonstrated by data showing the small farmers' share of marketed maize increasing from 10 percent in 1980 to about 65 percent by 1996.

The 1980-85 period saw a spurt in production in the communal areas, in part because of the availability of subsidized inputs and relatively abundant credit. In the second half of the 1980s these expensive programs began to experience financing problems which, together with serious drought conditions in the late 1980s, led to declines in per capita food production in the communal sector. Growth in per capita agricultural production has been extremely variable, year-on-year, as Chart 1 above can attest. Overall, the rate of increase in agricultural production has, on average, not kept pace with the rate of population growth. The agricultural sector has not served as the engine of economic growth needed in such an agriculturally-dependent economy, nor as a source of significant income creation, especially for the communal smallholders.

3. The Maize Sub-Sector

White maize is the essential consumption staple for the vast majority of Zimbabweans. Maize accounts for about 50 percent of all communal farm agricultural output by value, 49 percent of all communal land under production and about 45 percent of caloric consumption in Zimbabwe. It is at the core of the grain marketing system and is the absolutely essential element in any discussion of food security in Zimbabwe.

Table 1 Crop Production in Communal Areas (Z\$ million)

Year	Total crop production for sale	Total crop production for own consumption	Total communal crop production	Percent share from maize
1982	66.198	82.091	148.289	45.1
1983	46.045	71.364	117.409	46.4
1984	104.431	74.164	178.595	49.2
1985	224.822	254.609	479.441	58.2
1986	221.459	187.406	408.865	51.3
1987	84.110	154.207	238.317	38.9
1988	301.210	278.000	579.210	48.3
1989	294.629	207.407	502.036	44.7
1990	226.990	376.047	603.037	48.6
1991	287.074	356.249	643.233	42.6
1992	27.600	168.689	196.286	20.6
1993	1,055.205	930.028	1,985.233	54.0
1994	1,026.040	719.921	1,745.961	49.9

Source: Ministry of Lands and Agriculture: Statistical Bulletin, March 1997.

Note: 1987 and 1992 were drought years.

Much of Zimbabwe is not well-suited for maize. Rainfall is often inadequate for achieving high yields, particularly in the semi-arid areas of Natural Regions IV and V. Nonetheless, maize is grown in all these regions by rural households whose consumption taste preferences often override otherwise compelling arguments to grow more sorghum, millet and other less moisture-dependent crops. Maize yields on communal farms during the period 1982-1988 averaged a very poor 708 kg/ha, while yields on commercial farms situated in the better watered farming areas in Natural Regions I and II averaged 4,437 kg/ha. An estimated 20 percent of smallholders are normally surplus producers while the remaining 80 percent, except in years of excellent rainfall patterns, are net purchasers. One senior GOZ official suggested that, as a general rule, 75 percent of communal farmers are deficit producers (i.e. producing less maize and other cereals than they consume) in one year out of every two; and in all years there are a hard-core, 25 percent of communal households (mostly in Natural Regions IV and V) who are always in deficit.

Maize grown on commercial farms is, to a very large degree, irrigated. In times of drought, where communal production can decrease dramatically, maize production on the large-scale commercial farms will be relatively unaffected. In 1988, for example, a serious drought year, communal yields dropped to 100 kg/ha while the maize yield on commercial farms was, by comparison, 5,255 kg/ha. This commercial production has

traditionally supplied a large share of the consumption requirements of the urban areas as well as the consumption requirements of workers on commercial farms. As already noted, commercial maize production, as a percentage of total production, has fallen while less reliable, communal maize production has grown. In 1996, maize produced on communal farms accounted for an estimated 66 percent of total maize production in the country – up from only about eight percent in 1979/80.

Whether for better or worse, maize is the paramount crop in Zimbabwe and any efforts to improve the livelihood security of the average poor Zimbabwean smallholder or members of the urban poor must take into account their consequences on maize availability, price and the marketing system.

4. Maize Marketing and the Role of the Grain Marketing Board

Prior to independence in 1980, agricultural marketing could be characterized as a highly centralized, controlled, and interventionist marketing and pricing system for most crops including the main staple food, white maize. As Table 2 on page 8 demonstrates, the agricultural marketing system during the Colonial Phase consisted of parastatal marketing agencies (e.g. grain, cotton, dairy, and cold storage) with monopoly control over purchasing, sales, imports, exports, pricing, and other aspects of marketing. The Grain Marketing Board (GMB) was the state agency designated to control all grain marketing, with maize being the principal product. The system was originally designed to support the large scale commercial farming sector, which occupied most of the highly productive agricultural land, in moving maize from the surplus producing areas to the urban consuming centers. The GMB monopoly on domestic and foreign trade provided large scale commercial farmers with an assured market and protected them from competition. GMB purchases from smallholder producers constituted only 10 percent of total domestic maize procurement in 1980/81.

The GMB held a monopoly on the purchase of maize from producers and on the transport and sale of “controlled products” within the large scale commercial farming areas and the urban areas. Almost all the marketing infrastructure and transport was located in the commercial areas and urban areas. Trade within individual communal areas where most of the rural population lived was permitted but the trading opportunities were very limited. Trade was not permitted between non-adjacent communal areas.

A pan-territorial price (one producer price for the entire country) eliminated any incentive for trade among regions and the pan seasonal price (one price for the entire year) effectively eliminated any incentive for storage. The GMB maintained storage stocks for the maize marketing system. Private storage on farm (other than maize for household consumption) or off-farm was negligible. The incentive was to sell quickly to the GMB who then transported the maize to urban areas for storage and sale to millers. Private maize trade between the communal areas was effectively blocked because government-imposed restrictions prevented the transport of maize between Zone A (commercial) and Zone B (communal) areas. The large urban millers sold higher cost,

refined maize meal to the urban consumers and also shipped this higher cost, refined product back to the rural areas for household consumption. Even though there were a number of levels of subsidies in this marketing system, the net effect in most of the communal areas was one of their surplus grain being siphoned away to the large centralized mills and later shipped back into the poverty-prone communal areas in the form of price-subsidized roller, or even more highly refined, meal.

After independence, the GMB moved quickly to expand marketing services to the smallholder areas (see Table 2, Phase II). From 1980 to 1986, the GMB increased the number of depots from 43 to 68. In addition, up to 150 temporary collection points ('buying stations') were established in the communal areas. GMB storage capacity increased dramatically from 728,705 mt in 1981-82 to nearly 5 million mt in 1990-91. The government expanded credit rapidly in the smallholder areas to increase production. Producer and consumer subsidies were increased in the early 1980s. GMB purchases from smallholders expanded from 86,000 tons in 1980/81 to a peak of 819,140 tons in 1985/86 or from 10 percent of purchases before 1980 to over 50 percent of GMB purchases in most years during the 1980s. The size of the GMB staff more than doubled, increasing from an average of 1,989 in 1979/80 to an average of 5,207 in 1989/90. (Annual Report, GMB, 1990.)

During the late 1980s, problems started to emerge in the maize marketing system. The costs of these programs were escalating. The government covered the considerable cost of consumer subsidies until the 1990s. Official producer prices declined in real terms (Table A6, Annex 2) and official credit to smallholders was gradually reduced (Table 2, Phase II). The rapid expansion of GMB resulted in increasingly inefficient management, high costs of operation, and ever larger operating deficits. Food insecurity and malnutrition (see Chart A1 in Annex 2) continued to be a problem in the communal areas while at the same time the GMB was holding relatively large stocks of maize. The role of parastatals in maize marketing and pricing policy was increasingly being called into question. It had become very apparent that maize marketing reform was necessary.

Table 2 **Maize Marketing Policy Changes in Zimbabwe, Colonial Phase to Present**

Phase I: Colonial Regime: (service provision to settler farmers) 1931-1980	
<u>State Marketing Agency</u> <ul style="list-style-type: none"> Maize Control Board replaced by Grain Marketing Board in 1931; replaced by Grain Marketing Board in 1950. Buying stations built almost exclusively in European farming areas. African surplus production channeled mainly to licensed agents of Grain Marketing Board (GMB). Grain Marketing Act of 1950 also created the Agricultural Marketing Authority (AMA), the umbrella Board that governed four parastatals (GMB, Cotton Marketing Board, Dairy Marketing Board and Cold Storage Commission). 	<u>Market Regulation and Pricing Policy</u> <ul style="list-style-type: none"> GMB monopoly over grain marketing in commercial farming and urban areas. African farmers barred from selling grain outside their "reserve" areas, except to GMB or licensed agents. GMB monopoly on sales to registered millers. GMB controlled prices; Prices uniform across regions and seasons. Prices for European delivery to GMB 56% higher than for African small holders, on average for 1936-1960. GMB monopoly on imports and exports.
Phase II: Independence: (expansion of marketing services to smallholders) 1980-1990	
<u>State Marketing Agency</u> <ul style="list-style-type: none"> Development of limited GMB depot network in smallholder areas from 1970s. Depots expanded rapidly to 1986. GMB staff doubled in numbers. Started reducing maize collection points in 1986. 	<u>Market Regulation and Pricing Policy</u> <ul style="list-style-type: none"> Consumer and producer subsidies increased in late 1970s. Expansion of credit to smallholders. Expansion of pan-territorial pricing, taxing of commercial maize producers. Consumer subsidies phased out by 1985; reintroduced from 1991 to 1993. Gradual reduction of official credit to small holders, 1986-1992. Official producer prices decline in real terms 1985-1991.
Phase III: Structural Adjustment (market liberalization and privatization) 1991 to date	
<u>State Marketing Agency</u> <ul style="list-style-type: none"> Create Board of Directors of GMB separate from AMA in 1991. GMB annual trading deficits increase rapidly; reach Z\$ 1.2 billion in 1994. GMB has excess storage capacity and too many employees. Government charges GMB to operate without deficits in 1995. GMB reduces employees from over 5,000 to about 2,600. GMB charged to administer the Strategic Grain Reserve in 1995. GMB charged to operate in non-commercial areas for a fee to be paid by GOZ GOZ owes GMB for maize stocks used in Grain Loan Scheme for needy rural households in 1995. GMB deficit continues. 	<u>Market Regulation and Pricing Policy</u> <ul style="list-style-type: none"> Phased elimination of controls on trade between smallholder areas, 1991 to 1992. All controls on domestic private maize trade eliminated, 1993. Maize meal subsidies abolished and consumer prices decontrolled, 1993. GMB monopsony seller status restricted to large mills in 1993, eliminated. GMB continues to function as buyer and seller of last resort. GMB continues with pan-territorial and pan-seasonal pricing. Agriculture commodity exchange established in 1993. Rapid expansion of private traders, small and medium scale millers, 1993-1997. Private traders and millers gain market share and become the most important buyers and sellers of maize, 1993 to 1997. GOZ on paper authorizes GMB to introduce flexible buying and selling prices, 1995.

Source: Jayne, Jones, Mukumbu, and Jiriengwa (1997), in CK Eicher with updates by Larson.

5. The Food Security Situation

From its inception, USAID's intent for the Program was to help improve household food security among the rural communal sector by increasing access to basic foodstuffs for households in Natural Regions IV and V. This objective became even more explicit in 1993 when USAID redefined its overall program objectives (as part of the global USAID "re-engineering" exercise) and made improving food security its Strategic Objective (SO) Number One.

The overall food security situation in Zimbabwe – as measured by national and local food availability and the level of sustained access to food across all income groups – was, in 1990/91, viewed as relatively better than that of the neighboring countries. Malawi, Zambia, Mozambique, Angola, Namibia and Lesotho were regarded as having a higher propensity to experience serious household food insecurity than was Zimbabwe. That said, the situation in Zimbabwe, particularly in the semi-arid areas of Natural Regions IV and V, among those recently immigrated into the urban areas and among workers on the commercial farms and estates, was (and is) not particularly good. The 1989 Demographic and Health Survey (DHS) found that, overall, approximately one-third of children under three years of age were stunted (as compared to two percent in the reference population). This is a signal of sustained or repeated bouts of undernutrition. With extremely low levels of household income, low and declining agricultural productivity in the communal areas, relatively frequent episodes of agricultural drought (ill-timed rains) or climatological drought (significantly inadequate rains), a poorly maintained web of rural roads and a food marketing system which (as noted above) pulled cereal production out of the semi-arid areas, Zimbabwe demonstrated most of the chronic and transitory factors underpinning food insecurity in other Eastern and Southern African countries. The principal reason Zimbabwe was seen as being better off than its neighbors, was the annual production on commercial farms of large amounts of irrigated maize which helped ease the adverse impact of drought on national maize stocks.

The overriding food security issue in Zimbabwe, as it is elsewhere in Africa, is not so much the need to increase national production levels of staple cereals; it is the inability of a large number of absolutely poor households in rural and urban areas to have access in all seasons to the grain (and other foods) they need for healthy and productive lives. They do not produce enough in many years – for a variety of reasons – and they quite often lack the other sources of income or the wealth to purchase the rest. Household food insecurity is, thus, a resultant condition of many factors which combine to prevent the household from gaining continuous entitlement over adequate amounts and types of food. Household food insecurity is found in most countries of the world to a greater or lesser degree. It becomes a problem for a country and its government when the number of such households is large, and/or growing or the level of food inadequacy is seriously large for significant sub-groups of the population. Normally, this is an issue of too many households not having the productive and earning capacity to be in a position to grow or purchase enough. It is essentially an aspect of absolute poverty.

The ESAP (based on the GOZ's 1991 *Framework for Economic Reform* strategy document) and the parallel USAID support for grain marketing reform were intended generally to increase the rate of economic growth (as described elsewhere in this Report) and specifically to achieve long-term improved food security through structural changes in the grain marketing system. At the time the ESAP was initiated, there was widespread concern within the government establishment that the price and accessibility of maize would be affected, at least in the short-term, in ways adversely impacting poor and vulnerable sub-populations in both rural and urban areas. An important study (Jayne, et. al., 1991) undertaken for the Ministry of Lands and Agriculture (financed by USAID and GTZ) at the time produced a number of conclusions and recommendations which provided guidance underpinning early policy decisions in the initial ESAP period. (The commissioning of such a study and its use by policy makers in implementing ESAP reforms was an early manifestation of what was later to happen regularly under the USAID Program/Project.) The conclusions of the Jayne study included:

- Restrictions on the movement of maize prevent the free flow of marketed maize from surplus into deficit communal areas and helps perpetuate artificially high local maize prices.
- The inevitable price increases in the urban areas resulting from the elimination of subsidies could be off-set to a considerable degree by increased access to GMB grain by private traders and by promoting the distribution of “straight run” (unrefined, ground grain) meal.
- If a subsidy were required in order to enable the poorest households to gain access to a staple grain it should be a subsidy targeted on the poor. Since straight-run meal seems to be consumed only by the poor, a subsidy on straight-run meal (though to be an ‘inferior’ or Giffen’ good, meaning that people buy less of it, as their incomes increase) might be the most economically efficient way of targeting.
- Maize production in the commercial sector had been decreasing faster than maize production in communal areas was growing. As a result “...the erosion in the maize production base over the past five years can no longer guarantee a national surplus during a moderate drought year unless producer prices are increased dramatically.”
- The phased elimination of GMB subsidies would result in a projected 6 to 8 percent real increase in the price of commercial maize meal which would have the heaviest impact on those whose expenditures for food are highest as a percentage of household income and who have no alternative but to purchase commercially refined meal.

The Study’s recommendations included:

- Authorizing the GMB to sell grain in any quantity over one bag to all buyers.
- Deregulating white maize produced in the drier smallholder areas of Natural Regions III, IV, and V. (This was intended to enable producers to sell to informal traders who in turn would be freed to move grain into non-contiguous deficit areas if that provided them a better price than GMB.)

- Expanding the functions of GMB collection points and licensed agents to include the sale of grain to rural consumers and traders in order to expand the scope for intra-rural trade.
- Authorizing urban millers to manufacture straight-run maize meal as an alternative to the more expensive refined roller meal.
- Considering a subsidy on straight-run meal if the market-determined price is found to be too high for the poor.
- Providing resources for improving roads connecting surplus and deficit communal areas.
- Requiring commercial millers to add needed micronutrients to their manufactured grain products.
- Taking steps to enable easier entry of imported small and medium transport vehicles for private traders.

These recommendations rather neatly summarized the state of thinking among researchers and development professionals in 1991 regarding the need, within the context of anticipated ESAP economic changes, to promote improved food security among the poor.

6. The Economic Structural Adjustment Program (ESAP)

The ESAP was negotiated between the government and the international donors during 1991 and ratified, in principal, by the Consultative Group in Paris in 1991. It came into effect in December, 1991 and was intended to run for five years. It provided a loan, on International Development Assistance (IDA) terms, of US\$ 125 million and a credit of Special Drawing Rights (SDR) 35.9 million in exchange for acceptable GOZ performance in the areas listed below.

a. *The overall ESAP program.*

The ESAP required that the Government of Zimbabwe, following the precepts of its own *Framework for Economic Reform*, take action to:

- 1) reduce its budget deficit by at least three percentage points of GDP in FY 1992 without a major increase in tax revenues as a share of GDP;
- 2) reduce public recurrent and capital expenditures in accord with the general precepts of the Agreement;
- 3) reduce subsidies to parastatals to no more than the equivalent of two percent of GDP, from Z\$69 million in 1990/91 to approximately Z\$40 million in 1994/95;
- 4) allow greater autonomy for parastatal managers in execution of their responsibilities;
- 5) reduce the civil service wage bill through a reduction of 5,000 authorized positions;
- 6) reform wage policy;

- 7) increase cost recovery in the provision of education and health services in line with the agreed Public Sector Investment Program (PSIP);
- 8) maintain appropriate exchange rates;
- 9) increase the number of import goods on the Open General Import License (OGIL) listing and move away from and eliminate administered allocation of foreign exchange by 1995;
- 10) establish a Social Dimensions of Adjustment (SDA) program and related institutional development activities in Zimbabwe intended to offset short-term adverse impacts on the vulnerable poor resulting from the economic reform program and to increase the government's capacity to monitor poverty indicators and develop targeted programs to deal with underlying causes of poverty in Zimbabwe.

b. *Intended impact on grain marketing.*

A clear purpose of ESAP was the dismantling of many of the government's controls over the economy and a number of steps were to be taken to that end, including the elimination of restrictions on private sector grain transport and a restructuring of the role and responsibilities of GMB to engender growth in private sector marketing of grains throughout the country. As noted in the following sections, USAID's GMRS Program took the lead in providing specific content in the area of grain marketing reform very much in line with the overall goals of the ESAP.

c. *Intended impact on food security.*

While there was no specific mention of food security objectives in the ESAP Agreement, it is clear from other sources that, in the longer-term, food security was expected to improve in Zimbabwe as a consequence of the accelerated economic growth resulting from the ESAP. There was concern that in the short term both rural and urban poor might be adversely affected by the elimination of subsidies, reduced government expenditures in social sectors, increased cost recoveries (through fees), and increased prices of agricultural inputs and retail food prices. The intent of the SDA component was to provide a safety net-type of temporary support to the most adversely affected groups.

However well intentioned the ESAP components relating to poverty and food security might have been, the World Bank's subsequent audit of the ESAP's impact on poverty reduction (including its impact on food security) released in February, 1996 states that "...the program [ESAP] did not reduce poverty and unemployment as its architects had hoped." (World Bank, 1996).

II. THE GMRS PROGRAM AND GMRR PROJECT

Part I above describes the overall economic setting in Zimbabwe (with emphasis on the grain marketing and food security situations) at the time the Program was conceived and the Program Approval Assistance Document (PAAD) was drafted. Part II describes both the multi-year non-project assistance component (Program) approved in September, 1991 and the research project (Project) approved in September, 1992. The goals, purposes and anticipated outputs of the two interrelated activities are presented and described in Section IIA and B. This is followed by a description of the phasing of the implementation process and the implementation events themselves in Section IIC and finally, in Section IID, by a description of the apparent outcomes or achievements. Evaluative commentary follows in Part III.

A. ORIGINAL PROGRAM CONCEPT AND DESIGN

1. Program Concept

The initial development and early implementation of the Program was greatly facilitated by the nature of prior US assistance to Zimbabwe and to Southern African regional organizations in food security research, macroeconomic and sectoral reforms and drought relief. When the then regional Southern African Development Coordinating Committee (SADCC) established in Zimbabwe as its regional center for research on food insecurity, USAID provided finance – largely through a contract with the Department of Agricultural Economics at Michigan State University – during the 1980s for the “Food Security Research in Southern Africa Project” headquartered at the University of Zimbabwe’s Department of Agricultural Economics and Extension. This encompassed the majority of food security research done throughout Southern Africa during the decade and resulted in, among other things, growing awareness among Zimbabwean and other professionals of the nature, extent and trends relating to food insecurity in the region. In addition, from about midway in the 1980s, USAID/Zimbabwe had engaged senior Government of Zimbabwe officials in discussions regarding the advantages to Zimbabwe of reducing the government's role in the economy, the need for a more private sector orientation in the economy and the particular need to liberalize Zimbabwe's agricultural policies – especially in cereals marketing.

These early USAID forays into the areas of food security, agricultural policy and institutional strengthening (particularly in the field of agricultural economics) were to provide exceptionally important underpinnings for the development and the implementation of both the Program and the Project. In 1991, USAID staff were aware of the importance of economic and sectoral reform if the Zimbabwean economy were to begin to grow at a pace sufficient to improve the quality of life for the majority of Zimbabwean citizens. On the Zimbabwean side, many of the younger professional staff, often USAID-financed, advanced degree-holders from US universities, were also knowledgeable about the issues and the range of options open to Zimbabwe as it chose – within the context of the 1991-1996 economic adjustment program – to engage in

agricultural market reform. They were in positions to commission much of the needed staff work – relying on studies and surveys subsequently conducted under the Project – to provide analytical support and recommended courses of action informing GOZ decisions to liberalize the marketing of grains and other agricultural products.

In support of the 1991 Economic Structural Adjustment Program (ESAP), USAID developed a program jointly with the GOZ to support reforms in agricultural marketing which would significantly reduce producer, middleman and consumer subsidies which had been major contributors to unsustainable deficits in the government's accounts. USAID initiated its support for reform of the agricultural marketing sector by means of a non-project assistance (NPA) program authorized in September, 1991—the Grain Marketing Reform Support Program. This Program was comprised of a series of \$5 million annual tranches providing balance of payments support to the GOZ in exchange for implementing agreed policy changes related to grain market liberalization. During the development of the Program, USAID and the GOZ noted that both public and private sector entities required research and analytical support to effectively carry out their mandates and to make rational policy and investment decisions. The 1992 Grain Marketing Reform Research Project was designed to provide this support. It was, in effect, a follow-on to the years of research support provided to Zimbabwe by USAID in the area of food security and reform beginning in the mid-1980s.

2. Design of the Program.

The Program was originally intended as a one-year US\$5 million grant of non-project assistance (NPA) provided as balance of payments support into the Open General Import Licensing (OGIL) scheme (a special fund of foreign exchange to be made available to private importers to cover the cost of imports for which they, rather than the government, determined the need). These funds were to be provided as and when the GOZ had implemented mutually agreed actions to reform and liberalize the grain marketing system. Shortly after its inception the Program was redesigned as a five-year, US\$25 million NPA activity with annual US\$5 million tranches to be released on the basis of government performance against annually agreed policy reform targets within the general framework of the ESAP.

The original 'goal' of the Program was to improve the overall welfare of the rural Zimbabwean consumer by supporting government efforts to restructure the grain marketing system to make it more competitive, less costly and inefficient and less saddled by government controls. The system was to be moved as much – and as soon – as possible into the private sector. (Annex 1 contains the full PAAD statement of the Program's original design.) Progress toward this goal was to be signaled by: i) increases in the number of private traders purchasing and reselling grain, ii) increases in GMB maize sales to informal sector buyers in deficit regions, iii) increases in informal millers operating in urban and specified rural areas, iv) increases in rural incomes, v) decreasing maize meal prices in informal markets in specified rural areas, and vi) decreases in the average price of maize meal in urban areas.

The ‘purpose’ level of the Program design focused on policy and regulatory reforms necessary to make acceptable progress toward the Program’s goals. Intended accomplishments at the purpose level included: increased GMB autonomy, increased private participation in grain marketing and a resultant increase in grain availability in deficit areas, a reduced GOZ deficit resulting from reduced GMB operating costs. All of this was to result in agricultural and grain marketing more responsive to free market supply, demand and price signals. Progress was to be monitored using indicators of: i) increased informal sector buying and selling of grain in deficit areas, and ii) decreased GOZ deficits caused by reduced GMB operating deficits.

Desired ‘outputs’ were GOZ policy changes including: i) an autonomous Board of Directors for GMB, ii) open sales at GMB depots to any and all buyers of one or more bags, iii) free and unfettered sale of grains by and to anyone in Natural Regions IV and V, and iv) development of a medium-term strategy for development of a competitive market system featuring considerable private participation.

B. INTENDED IMPLEMENTATION OF THE PROGRAM

1. Program Conditionality

The Program was eventually designed to provide USAID support for GOZ achievement of mutually agreed reforms over a period of five years, with program grants released in tranches upon the completion of the agreed-upon Conditions Precedent to Disbursement (CP). The four program tranches agreed to between USAID and the GOZ, prior to the termination of the program, are described below.

a. Conditions Precedent to Disbursement – First Tranche (FY 1991)

1) The GOZ formally establishes an autonomous Board of Directors at the Grain Marketing Board (GMB).

As part of the process, the GMB was to analyze its current operations to identify actions necessary to reduce its operational deficits and guide the Board toward a more commercial orientation. This condition was to be partially met with a 1991 Amendment to the Grain Marketing Act, which was to provide for an independent Board of Directors for the GMB. Based on discussions with the GMB and the Ministry of Lands and Agriculture (MLA), autonomy for the purposes of this program was tentatively defined as the GMB’s power to make decisions over most operational management decisions without having to obtain permission from the MLA. Autonomy was not defined in terms of control over policy decisions, particularly pricing decisions. Autonomy in decision making was to include such activities as:

- Salaries and hiring and firing of non-executive personnel, subject to existing labor and other applicable laws;

- Distribution and procurement, subject to existing laws concerning GOZ Tender Board and foreign exchange allocation; and
- Export activities not in conflict with the “national interest.”

2) The GOZ formally allows the sale of grain from GMB depots to any buyer at whatever quantity is demanded greater than one bag and effectively disseminates information on this policy to the public and GMB managers.

The Government was asked to take the actions necessary for the GMB to actively engage in selling grain in any quantity over one bag (the minimum at the time) to any buyers, including informal traders, and to disseminate this information widely, both within and without the GMB. The aim was to create incentives for small scale traders and millers to buy the grain from the GMB depots and process it closer to the rural areas where it is consumed. At the time of the agreement on this condition, it was, in fact, legal to acquire and re-sell controlled products (including maize) without reference to the Board, provided that the controlled product does not leave the communal areas, known as Areas “B”. However, what remained to be done was a broad dissemination, via posters and newspaper and radio announcements, of this information by both the GMB and the MLA to encourage traders and millers to take advantage of this opportunity.

3) The GOZ, at the Cabinet level, formally approves the policy that any buyer is allowed to resell grain through any channel in Natural Regions IV and V, without paying any portion of revenues back to the GMB.

Although free trade and marketing was legal within Zone B, the contract between the GMB and Approved Buyers specifically prohibited re-sale of maize purchased by the Approved Buyers to any except the GMB. Consequently, the Approved Buyer could not satisfy the non-GMB demand for maize in Zone B. Cabinet approval of this would result in routine implementation following the announcement of the decision.

4) The GOZ formally allows grain to be sold at selected GMB collection points and/or other non-depot distribution points to any buyer and effectively disseminates information on this policy to the public and GMB managers.

Although this condition called for the expansion of the function of selected rural collection points and possibly other non-depot distribution points, it may have only required the GMB to provide grading and selling facilities at such points. It also allowed the possibility that a collection point would need to be kept open a few extra months or until stocks were depleted. It did not inhibit the closing of collection points or necessarily require the establishment of additional collection points.

5) The GOZ formally establishes a plan for development, completion and dissemination of a medium-range strategy for rationalization of national grain

marketing and the development of a strong, competitive grain marketing system which permits and encourages private sector participation.

The three-year plan, already in its formative stage through active dialogue between USAID, the GOZ and other participants in grain marketing, would be developed to address both analytical and process concerns of decision-makers by:

- listing, illustratively and in order of priority, the topics of operational research to be conducted, including both policy and non-policy constraints to traders, millers, and transporters entering into grain marketing,
- providing for development of a time-phased, action-specific implementation plan for any accepted recommended actions arising from the research/analysis, and
- providing for a tentative time schedule for accomplishing the necessary analyses, including recognition of a need to disseminate contents of the final strategy to key public and private sector actors and decision makers, once the plan was developed.

b. Conditions Precedent to Disbursement - Second Program Tranche (FY 1993)

1) The Government, at the Cabinet level, formally approves the redefinition of Zones A and B of the Grain Marketing Act, such that Zone A refers to the factory gates of named maize buyers, while Zone B refers to all other parts of the country. Maize prices and trade throughout the country were to be effectively deregulated in Zone B, while floor and ceiling prices were maintained through the Grain Marketing Board's continued role as residual buyer and seller. GMB would remain the sole seller of maize to Zone A firms.

The implication of the FY 1993 conditionality is that only Zone A firms, a small group of industrial millers, would be restricted to buying from the parastatal GMB. The rationale for the phased reduction of restrictions on the movement of maize was to: i) permit the GMB to adjust to market-led pricing without forcing severe adjustments upon market participants dependent on the current GMB marketing infrastructure and price stabilization functions, and ii) allow smallholder farmers and small-scale traders and processors to have a brief head-start in developing private trading channels. Without such an advantage, the commercial farming and food processing sector might immediately have captured a disproportionate market share, erasing the potential benefits of market reform. By amendment, another condition was added: that maize prices and trade throughout the country be effectively deregulated while floor and ceiling prices are maintained through the Grain Marketing Board's continued role of residual buyer and seller. GMB would remain the sole seller of maize to designated Zone A firms.

c. Conditions Precedent to Disbursement - Third Program Tranche (FY 1993)

1) Government approval at the Cabinet level of a medium-term strategy for liberalizing the maize pricing and marketing system in Zimbabwe.

This strategy was expected to be implemented in three phases: a) deregulation of maize prices and trade throughout the country, b) studies to be initiated in order to inform and guide subsequent policy decisions, c) specific points to proactively disseminate to the Cabinet to facilitate the GOZ's maize sectoral objectives and avoid future conflict over the ends and means of market liberalization.

PAAD Amendment No. 2 contained a Monitoring and Evaluation Plan which revised and simplified key indicators for measuring programmatic impact. These revised indicators were intended to simplify the process of program monitoring by narrowing the focus to the most critical measures of attainment of objectives. The revised indicators also harmonized measurement of objectives under this program with those in other USAID/Zimbabwe activities under the new CPSP Strategic Objective No. 1.

d. Conditions Precedent to Disbursement - Fourth Program Tranche (FY 1995)

There was only one CP for the 4th tranche:

Evidence that the GMB or its successor is operating as a commercial organization as demonstrated by:

- *the registration of the GMB successor corporation with the Registrar of Companies;*
- *the transfer of assets to and capitalization of the GMB successor corporation; and*
- *the transaction of business by the GMB successor corporation after it is capitalized and receives the transferred assets.*

The condition of commercialization was set forth in substantive terms with the understanding that elaboration and clarification, within the substantive context, would be undertaken by USAID through Project Implementation Letters (PILs). The GOZ was to implement the commercialization of the GMB by December 31, 1995. The GMB had requested that the Ministry of Agriculture approve its commercialization plan. At that time, the GMB Board of Directors had already approved Memorandum and Articles of Association for the registration of a successor corporation and had forwarded the appropriate corporate documents along with two proposed corporate names to the Registrar of Companies.

The Government of Zimbabwe, however, was unable for a variety of reasons to comply fully with this CP and, told USAID/Zimbabwe and after several months and more than one extension of the deadline, USAID/Zimbabwe determined that the condition would not be met and notified the government that the funds intended for use in Tranche Four would be de-obligated. This, in effect, ended USAID disbursements under the

Program. Only US\$15 million of the intended US\$25 million were actually disbursed into the OGIL during the period 1992-1995.

C. ACTUAL IMPLEMENTATION OF THE PROGRAM, 1992 – PRESENT

The purpose of this section of the Report is to describe important actual events transpiring under the Program.

1992

On May 28, 1992, GOZ fulfillment of the First Program Tranche (Fiscal Year 1991), described below, was accepted in writing by the Mission to the GOZ. The actions taken to fulfill the conditions were:

- a) An autonomous Board of Directors was functioning for the GMB.
- b) There were open sales of grain from GMB depots to any buyer at whatever quantity was demanded, greater than one bag. Depot managers and relevant participants in the grain marketing system were aware of that change in policy.
- c) Buyers were reselling grain through any channel in Natural Regions IV and V, and depot managers and participants in the grain marketing system were aware of the change in policy.
- d) Grain was being sold at selected GMB collection points and/or other non-depot distribution points to any buyer, and the public had been appropriately informed.
- e) A plan had been drafted and approved for development of a medium-term strategy for liberalizing national grain markets and promoting the development of a strong, competitive marketing system with expanded private participation and improved access to food by vulnerable groups.

By this early point in the Program's lifetime, USAID had made the decision to provide tranching annual increments of balance of payments support (at the proposed level of US\$5 million per year) to the GOZ so long as the government met the terms of the annual conditionality related to further steps in the process of liberalizing, commercializing and eventually privatizing the GMB and other aspects of grain marketing. Preparation of a medium-term strategy for liberalizing grain marketing reform was made the heart of program conditionality and disbursements under Tranche 2, as jointly agreed between USAID and the GOZ. Release of Tranche 2 was based upon implementation of a significant portion of the medium-term strategy for market liberalization.

1993

The GOZ fulfilled the Conditions Precedent to the Second Program Tranche (Fiscal Year 1993) on July 28, 1993. At that time the Minister of Lands and Agriculture delivered the annual Policy Statement for the 1993/1994 Agricultural Year publicly and officially announcing the redefinition of Zones A and B. Shortly thereafter, on July 29, 1993, USAID issued PIL No. 7 to the GOZ requesting a written statement and evidence that the GOZ, at the Cabinet level, had formally approved the redefinition of Zones A and B. The MLA advised USAID that gazetting of the Zone A/B redefinition was in process at that time and that the Attorney General's Office was working on appropriate language to incorporate the change in the Grain Marketing Act. USAID approved the release of the Second Program Tranche at that stage, with further evidence of the completed actions then underway by the GOZ following closely thereafter.

1994

In October 1994, the Third Program Tranche was disbursed upon completion by the GOZ of the design of a medium-term strategy for liberalizing the maize pricing and marketing system in Zimbabwe which was in keeping with USAID program objectives.

1996

On September 29, 1995, USAID approved Program Grant Agreement Amendment Number 3, which established the CPs for disbursement under Tranche 4. In effect, the conditionality associated with the fourth tranche required full *de jure* privatization of the GMB by December 31, 1995. The language for the conditionality had been worked out collaboratively between the Ministry of Lands and Agriculture and USAID/REDSO staff and, as the Evaluation Team was informed, the language describing the actual evidence needed to satisfy these CPs was provided to USAID by the MLA and GMB. During the period September to December, 1995 USAID and GOZ staff met on several occasions to discuss how to deal with growing parliamentary and cabinet-level opposition to full GMB privatization. 1995 was a year of severe drought. Agricultural production levels were very poor – nearly as poor as 1992 – and there was growing Zimbabwean concern over the concept of transforming GMB from its status as the government's agency for dealing with food shortfalls, food distribution and food imports into a fully private organization which would theoretically (at least in the minds of the critics) serve its own for-profit objectives rather than objectives derived from concern for the public's well-being during times of crisis. GOZ and USAID representatives agreed in principle on the scope-of-work for a detailed study intended to provide the GOZ with cogent arguments in support of GMB privatization. In the meantime the terminal date for satisfaction of the CPs was changed to June, 1996.

Throughout the next several months of discussions, USAID evinced full willingness to provide needed support for the study. Nonetheless, the SOW languished in MLA until February, 1996. In a March, 1996 meeting, representatives from the Ministry of Finance informed USAID that the GOZ would not be able to satisfy the CPs regarding full privatization of GMB but nonetheless wanted to move ahead with the study. There

was no further significant movement on the issues surrounding 4th Tranche conditionality for the next several months. The terminal date for meeting the CPs was again moved back, this time to September 30, 1996, to allow time for further discussions, but the Ministry of Agriculture continued to delay its agreement on the SOW for the GMB privatization study.

In the meantime, in December, 1996, USAID/Washington advised USAID/Zimbabwe that the date for full close-down of the USAID program in Zimbabwe had been set for 2003. The Mission decided at that point that no USAID-assisted activities would be terminated prematurely – including the GMRSP and the GMRRP activities. It was also decided that, in view of further staff reductions and for other considerations, the terminal completion dates of the Program and the Project would not be extended.

In a high-level meeting with the Ministers of Agriculture and Finance in January, 1997 to discuss the CPs, both Ministers reported that the government would not be able to meet the CPs. The GMB would not be privatized. The Minister of Agriculture opined that, in fact, the GMB would not be privatized for many years because of the strongly held views by a number of Parliamentarians regarding the need for the government to retain control over the SGR. Nonetheless, it was felt that a GMB ‘commercialization’ study should proceed. The terminal date for disbursement was extended again, this time to March, 1997 in order to allow for the study to be undertaken.

Throughout this period the Mission was in communication with USAID/Washington on the nature of the issues between those inside the GOZ willing to move ahead to complete the reform of the GMB and the Parliamentarians and Cabinet officials fearful of the consequence of these reforms. The Evaluation Team was informed that USAID/Washington advised the Mission against softening the wording in ways that would sanction a 4th Tranche release without full *de jure* privatization of the GMB. USAID/Washington believed the policy climate in Congress was such that any USAID/Zimbabwe willingness to relent and allow the government of Zimbabwe to retain control over GMB – and presumably over the food marketing system – for some additional period of time would be viewed unfavorably on the ‘Hill.’ The USAID Mission Director, in effect, already fighting to keep the program in Zimbabwe alive as long as possible, did not believe it appropriate to add another possibly contentious issue in the Mission’s dealings with Washington. Whatever other negotiating options there might have been to re-work USAID’s position vis-à-vis the issue of full privatization, they were, as a result, not considered or pursued.

An impasse was the final result on the issue of the 4th tranche release. The Zimbabwean Parliament was reluctant to favor privatization of what a number of parliamentarians (reflecting, presumably, the views of their constituents) saw as legitimate public sector responsibility for the food security of Zimbabwean citizens. There was an apparent view in USAID/Washington that the Hill would not look with favor on USAID’s backing down and allowing the 4th tranche funds to be released

without full privatization. This would be viewed as, in effect, rewarding a retreat from the previously announced GOZ policy of commercialization and privatization of government functions in the grain marketing sector. The Mission, unwilling to incur congressional disfavor, chose, in effect, to let the 4th tranche expire. Although prior Program documentation alluded to a 5th Tranche, it had already been decided, informally, that there would be no 5th tranche discussions. At that point, the Program (and most of the elements of the Project) were effectively ended, save for the GMB commercialization study which was actually undertaken in July, 1996 and the present Final Evaluation undertaken in August/September, 1997.

1997

A letter dated January 2, 1997 stated that the GOZ had not fulfilled the Conditions Precedent to the Fourth Program Tranche (Fiscal Year 1995). The US\$5 million were withdrawn and the Program was, in effect, discontinued. However, as the GOZ had agreed that the GMB Commercialization Study should be carried out, under the supporting Research Project, to provide analytical support in mapping out the future operations of the GMB, both USAID and the GOZ approved the GMB Commercialization Study to begin as soon as the newly appointed GMB general manager began work. This study was undertaken in July, 1997. As of early September, 1997, it had not been fully accepted by the GOZ.

D. ORIGINAL PROJECT CONCEPT AND DESIGN

1. Concept of the Project.

The underlying concept of the Grain Marketing Reform Research (GMRR) Project was to create a pool of technical resources to be used by both the public and private sector for analysis to support the grain marketing reform program. A long term institutional contract was to provide the majority of expert research and analysis for a two year period. In addition, funds were to be available for analytical work to be carried out before the long term contract was in place. It was anticipated that this short-term research would be provided primarily by local firms. The long term contract was, however, made flexible enough to adjust to needs for expatriate assistance where required.

2. Design of the Project

The Project was originally designed as a \$2.5 million, three-year effort to support implementation of grain marketing reforms in Zimbabwe. It was intended to assist the GOZ and relevant private sector entities to: i) carry out research to support grain marketing reforms, ii) support the development of a medium range grain marketing strategy and its implementation, and iii) support private sector interests involved in implementation of grain marketing reforms. The Project was later extended to a five year lifetime, ending on September 30, 1997.

a. Project Goal

The Project's goal was to develop the analytical framework required for effective implementation of the Economic Structural Adjustment Program. Achievement of this goal was to be demonstrated by the GOZ's undertaking of policy decisions related to rationalization of the private sector. The assumptions related to the achievement of the goal was that the GOZ would retain the political will to implement ESAP and the GOZ officials would use the relevant information provided by the project.

b. Project Purpose

The project purpose was to provide research and analysis to support the implementation of grain marketing reform in Zimbabwe. The indicators of achievement were:

- public sector decision makers are informed and using policy tools stemming from the research project,
- Private sector leaders are informed and are influencing public sector decision making using results from the research, and
- Private sector groups and entities are using research results to make investment and business decisions.

Achievement of project purpose was predicated on the assumption that grain marketing reform would remain a priority within the GOZ and that local users would recognize the need for research and analysis.

c. Project Outputs

Anticipated Project outputs were:

- increased access to relevant research for the private and public sector, and
- increased information on the impact of policy and non-policy issues related to grain marketing.

Indicators that outputs had been achieved at a satisfactory level of performance included:

- Minimum of 10 studies/research projects completed annually during life of project
- Non-traditional users of research (such as millers, traders, credit institutions, transporters, approved buyers, the Commercial Farmers' Union, the National Farmers Association of Zimbabwe, and the Zimbabwe National Farmers Union, among others) would request a minimum of five studies annually.
- Studies completed related to policy impact, including:
 - cost savings implications of selling grain at collection points.
 - Impact of GOZ pricing policy (maize meal retail mark-ups).
 - Impact of sale of straight-run meal in retail size bags.

- Impact of transport permit system.
- Impact of price synchronization.
- Studies completed related to non-policy issues, including:
 - Credit availability for traders, millers, transporters, etc.
 - Demand for local milling capacity.
 - Economic and financial analysis of small scale milling.
 - Incentives for increased on-farm storage.
 - Need for Market Information System.
 - Consumer taste and expenditure preferences for varying classes of meal.

d. Project Paper Supplement

On June 13, 1996, Project Authorization Amendment No. 1 and the Project Paper Supplement were approved by the USAID Mission Director, extending the Project Assistance Completion Date to September 30, 1997. At the GOZ's request, the revised Project Paper Supplement sanctioned the exploration of food security problems in other, non-grain, agriculture-related activities. This was in recognition of the need to support communal household efforts to move into other types of agricultural production, beyond grain production. The grain-related reforms to that time had met the grain availability targets set for 1994 and nearly met the target for 1995 – a year ahead of schedule. While liberalization of grain marketing was a necessary step for addressing food and nutrition insecurity, it was not a sufficient step. Other aspects of food and agriculture needed researching and policy development.

1). Revised Project Goal

The prior goal, to develop the analytical framework required for effective implementation of the Economic Structural Adjustment Project (ESAP), was replaced by the Mission's Country Program Strategic Plan (CPSP) goal: *increased economic growth that is participatory and equitable*.

The indicators of goal achievement, to be verified by Mission Assessment of Program Indicators (API) targets, were revised to include:

- GDP per capita
- GDP annual growth rate
- Value of merchandise exports/GDP
- Gini coefficient (a measure of distortion in the distribution of incomes across a population)

2). Revised Project Purpose

The new purpose of the Project became: *To provide research and analysis to support the implementation of grain marketing reform and other agricultural related activities resulting from such reform.*

This purpose statement was directed at achieving food security and promoting equitable economic growth in the agricultural sector. The new purpose statement enabled USAID to fund research and analysis intended to increase participation and improve the quality of research leading to further policy changes and, at the same time, addressing specific constraints to food security. The revised purpose also provided for a broadened/expanded project focus into such important additional areas as horticulture, etc.

The ultimate indicators of the Project's success remained the same:

- Public sector decision makers are informed and better equipped to use policy tools resulting from research
- Private sector leaders are informed and are influencing the public sector decision-making process using results from research
- Private sector groups and entities are using research results to make investment and business decisions

3). Revised Project Outputs

The expected outputs from the Project were revised to specify that

- Completion of 15 research studies and assessments related to policy impact and
- Completion of eight studies and assessments for non-traditional users (NGOs and others in the private sector) related to non-policy issues.

E. IMPLEMENTATION OF THE PROJECT

Project oversight was provided by a Project Implementation Committee comprised of permanent members from the Ministry of Agriculture and USAID, with other relevant GOZ agencies or private sector groups serving on an ad hoc basis. The Project Implementation Committee adhered to the following procedures for approving research requests:

The contractor would receive requests for research, analysis, or other activities which support implementation of grain marketing reform program from GOZ ministries and agencies and from private sector groups or entities. The GOZ and USAID Zimbabwe would review these proposals monthly, or more often as needed, to ensure that research activities contribute to overall program objectives.

To address research needs prior to the completion of the contracting process for the institutional contractor, USAID Zimbabwe and the GOZ would agree on the terms of reference for such requests and USAID would contract for such assistance using the following formula:

- 50% of the research and analysis project funding was to apply to research activities requiring joint agreement by the GOZ and USAID.
- 25% of the research and analysis project funding was to apply to research activities requiring agreement only by the GOZ.
- 25% of the research and analysis project funding was to apply to research activities requiring agreement only by USAID.

USAID/Zimbabwe was responsible for project monitoring and liaison with the GOZ and key private sector entities and the selected contractor. The GOZ, represented by MLA, participated on the Project Implementation Committee and designated a technical representative for each research request it made under the project to provide direction to the research effort.

Monitoring of the overall grain marketing reform program was carried out under a USAID Zimbabwe direct contract funded outside of this project, with information generated under the monitoring contract to be made available to the prime contractor for use in carrying out project work.

During the life of the project, two evaluations were to have been conducted. The first evaluation assessed progress toward overall accomplishments and recommend modification in project design or implementation strategy. The second evaluation was to assess program and project impact against objectives.

Prior to the award of the institutional contract in February 1994, research assistance under the project was provided in one area, by a consultant, (Rubey) who completed a report entitled *The Grain Milling Industry in Zimbabwe: Impact and Implications of Policy Reform*.

On February 7, 1994 the Grain Marketing Reform Research Project institutional contract, now utilizing the acronym GRAMARR, was awarded to Coopers & Lybrand Associates for an initial period of 20 months to the end of September 1995 with an Option Term of four months to February 6, 1996. Due to the normal notice period from previous employment, it took until April 1, 1994 for the Project Director to commence his duties and the implementation of the institutional portion of the contract. The contract with Coopers and Lybrand was extended until April 6, 1996, while the period of the overall project was extended until September 30, 1997.

Through the life of the Project, under both the institutional contract and through other USAID contracting mechanisms, there were a total of 17 public sector policy-oriented studies and eight studies with a primarily NGO-based audience, in addition to six activities and conferences focusing on disseminating project results and strengthening the public-sector capacity to conduct policy analysis. Altogether, 31 studies and activities were carried out. These can be grouped as follows:

Table 3 Studies and Activities Completed Under the Project

Project Output Indicator	Project Research and Tasks
A. <u>Public Sector Policy Tools</u>	<ul style="list-style-type: none"> • Assessment of Grain Milling, Trading, and Household Grain Consumption in Communal Areas of Natural Regions IV and V -- Five (5) Phases of Studies • Macro-Economic & Financial Implications of the Current Maize Pricing in Zimbabwe • Matrix of Key Players in Grain Marketing and Their Linkages • Graduated, Regional & Seasonal Pricing Systems for White Maize • Agricultural Marketing Information System - Status Study & System Development (two studies/activities) • Primary Players and Their Factors of Operation • Horticultural Strategy • 1995/1996 Grain Loan Scheme Implications Study • The Grain Milling Industry in Zimbabwe: Impact and Implications of Policy Reform • GMB Commercialization/Privatization Pros and Cons Study • Review of the Environmental Impact of the Grain Marketing Reform Program
B. <u>Private Sector/NGO Studies</u>	<ul style="list-style-type: none"> • Needs Assessment of the Private Sector Commercial Milling and Grain Processing Industries • Formation of an Association of Small-Scale Millers • Effect of Grain Market Reforms on the Livestock Industry • Pilot Study and Survey of Hammermillers • Chitemborgwizi Small Scale Farmer Irrigation Scheme – Feasibility Study • Financial and Economic Survey of the Small Scale Milling Industry in Zimbabwe • Communal Area Cattle Marketing & Trust Fund Study
C. <u>Public Policy Activities, Dissemination, And Capacity Building</u>	<ul style="list-style-type: none"> • Strengthening Capacity in the Design, Analysis Monitoring & Evaluation of Grain Market Reforms • Capacity Building in Management Reform and Privatization of Public Enterprises • Project Initiation and Dissemination Workshops (2 total) • Income, Employment & Food Security for 21st Century Africa Conference- Capacity Building • GMB Capacity Building - African Studies Association Conference

Source: Muchero, 1995

Commentary on individual studies is contained in the Annex. The overall evaluative discussion on the management of the studies process, and the quality, timeliness, usefulness and impact of these studies on overall Program/Project goals and objectives is contained in Section III below.

The preceding descriptive information in Section II of this Report has dealt with the nature of the Program and Project design and changes in that design during the activities' lifetime. The remainder of Section II describes first the financial situation and then the results obtained by the actual operations and activities of the Program/Project during the five years of its existence. The non-financial portion of the discussion is divided into: i) results of an institutional and organizational nature, e.g. policy changes, changes in methods and operations and the qualitative and quantitative indicators of those changes and ii) results related to impact on the target audiences, e.g., smallholder communal households in Natural Regions IV and V and, to some degree on all

populations, rural and urban, who depend on the marketing of grains and other foods for at least a portion of their sustenance.

F. PLANNED AND ACTUAL FINANCIAL CONTRIBUTIONS

The planned and actual financial contributions of the U.S. government and GOZ to both the Program and Project are summarized below.

1. Grain Marketing Reform Support Program (613-0233)

The Grain Marketing Reform Support Program was originally designed as a US\$5 million, one year, non-project assistance program to support GOZ policy reform in the grain marketing sector. It was extended as a program with up to five tranches of US\$5 million over a five year period, for a possible total of US\$25 million. The US\$5 million tranches were to be deposited in the OGIL, and matched by the deposit of the Zimbabwe dollar equivalent of US\$5 million in a separate, local currency account, with the US \$5 million released upon proof of accomplishment of the Conditions Precedent to Disbursement for each tranche and proof that U.S. imports worth US\$5 million had been imported during that period. The local currency was used for mutually-agreed development activities.

Over the life of the Program, the U.S. Government contributed US\$15 million in NPA assistance in three tranches. This was matched by the Zimbabwean dollar equivalent contribution of US\$15 million from the GOZ, as summarized in Table 4, below.

Table 4 **Program Financial Summary**
(\$000 or \$000 equivalent)

Year Authorized	Planned NPA	Planned GOZ (\$ equivalent)	Planned Total	Actual NPA	Actual GOZ	Actual Total
1991	5,000	5,000	10,000	5,000	5,000	10,000
1992	5,000	5,000	10,000	5,000	5,000	10,000
1993	5,000	5,000	10,000	5,000	5,000	10,000
1995	5,000	5,000	10,000	0	0	0
Total	20,000	20,000	40,000	15,000	15,000	30,000

2. Grain Marketing Reform Research Project (613-0234)

The Grain Marketing Reform Research Project was designed to be a US\$2.5 million project funded by USAID, with a total life-of-project host country contribution of 25% largely in kind – estimated at \$833,000. The project was extended from three years to five years, but the funding allocation from USAID and the host country contribution did not change, although the distribution was apportioned over a longer time period. The final, approved funding for the project is summarized below, as are total project disbursements by USAID through August 5, 1997. However, the final actual disbursements by USAID are not expected until June 30, 1998, when the nine-month period for submission of final invoices expires. To date, USAID/Zimbabwe has committed \$2,048,773 of the \$2.5 million obligated for the Project, of which \$1,802,713 has been disbursed. The current remaining outstanding commitments come to \$246,060.

The valuation of the total host country contribution under this Project has not yet been quantified in detail, and it is beyond the scope of this Report to do so. However, as of November, 1993, after a little over one year under the five year project and prior to the award of the institutional contract, under which the majority of the technical research was to be conducted, USAID had documented host country contributions totaling US\$54,620 at that time.

The Evaluation Team concurs with USAID/Zimbabwe's assessment, as the project completion date approaches, that the GOZ provided all of the support required of it for the successful completion of the project. This support took place in the form of senior staff management time from the Ministry of Agriculture and Lands, the Ministry of Finance, the GMB and many other branches of the GOZ as well as the provision of office space for research teams, senior staff participation in the monthly meetings of the Project Implementation Committee during the two year, two month Coopers & Lybrand contract, and the identification of areas of research, the development of terms of reference, and the detailed review of the research deliverables. The Evaluation Team deems that this is sufficient documentation of the Host Country Contribution to this Project. The planned and actual contributions of both governments to date are summarized below.

As of September 1997, unofficial Mission estimates indicate that the GOZ met the 25% HCC requirements for the project. However, these estimates remain to be verified by the GOZ.

Table 5 Project Financial Summary

Life of Project Funding					
Element	Planned USAID	Planned GOZ	Planned Total	Actual USAID disbursements (As of 05/08/97)	Actual GOZ
Research Assistance	1,704,200	833,000	1,704,200	1,228,079	deemed complete
Project Management	295,800	0	295,800	155,634	0
Audit	50,000	0	50,000	19,000	0
Evaluation	450,000	0	450,000	400,000	0
Contingency	0	0	0	0	0
Total	2,500,000	833,000	3,333,000	1,802,711	deemed complete

Note #1: The USAID planned amounts are as reflected in the amended budget following PIL No. 9 on March 14, 1994.
 Note #2: The total actual for USAID Research Assistance, Audit, and overall Total Contributions are estimates at this time, given that payments are outstanding on the Commercialization Study and the Evaluation, (LAG-4201-Q-00-3061-00, D.O. #802), among other activities.

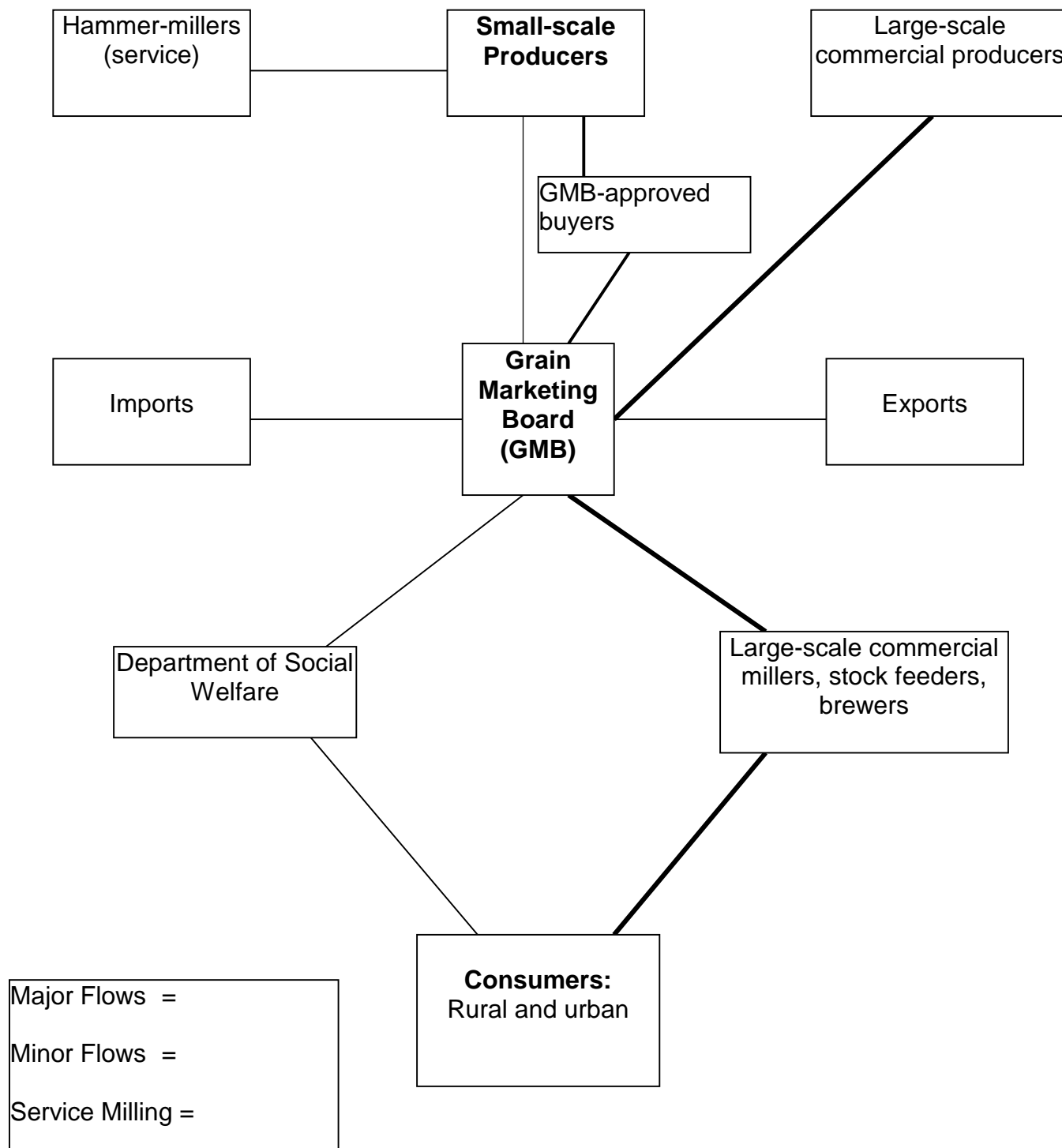
G. GRAIN MARKET REFORMS DURING 1992-1997

Maize marketing has changed dramatically since the Government of Zimbabwe (GOZ) initiated the Economic Structural Adjustment Program (ESAP) in FY 1991. Before ESAP, maize marketing was highly centralized and controlled by the Grain Marketing Board (GMB) that had monopoly control over domestic and international maize marketing. In addition to maize, the GMB had varying degrees of control over the marketing of several other commodities such as red and white sorghum, groundnuts, millet, soybean, rice, wheat, coffee and sunflower. After structural adjustment, grain marketing has been transformed into an open, competitive market system based on supply and demand with substantial private sector participation in most, but not all, aspects of the maize marketing system.

Before ESAP, the government's monopoly control required that all maize marketed (about 50 percent of total production) was channeled from small holder producers and large scale commercial producers to the GMB at the GMB announced minimum price (see Figure 1 on page 33). One minimum purchase price prevailed in all producing areas at the GMB depots. Producers could only sell directly to GMB at their buying locations (depots or other points) or to GMB approved buyers who were required to deliver the maize to GMB. All marketed maize essentially flowed from the rural areas to the urban areas for storage and processing. Small producers typically would store part of their production on farms for household consumption during the post-harvest period.

As they consumed this maize, the smallholders would either hand-pound it at home or take it to the local hammermillers for grinding into “straight run meal.” Later in the post-harvest period, smallholders typically began buying maize from the GMB or from extended family, friends or neighboring communities for grinding locally or they bought the more expensive “refined and packaged maize meal” in local shops. In drought periods, government or donor-provided food aid was made available for households suffering food deficits caused by drought-induced production shortfalls.

**Figure 1:
Maize Flows in the Marketing System
Before Marketing Reforms, 1990**



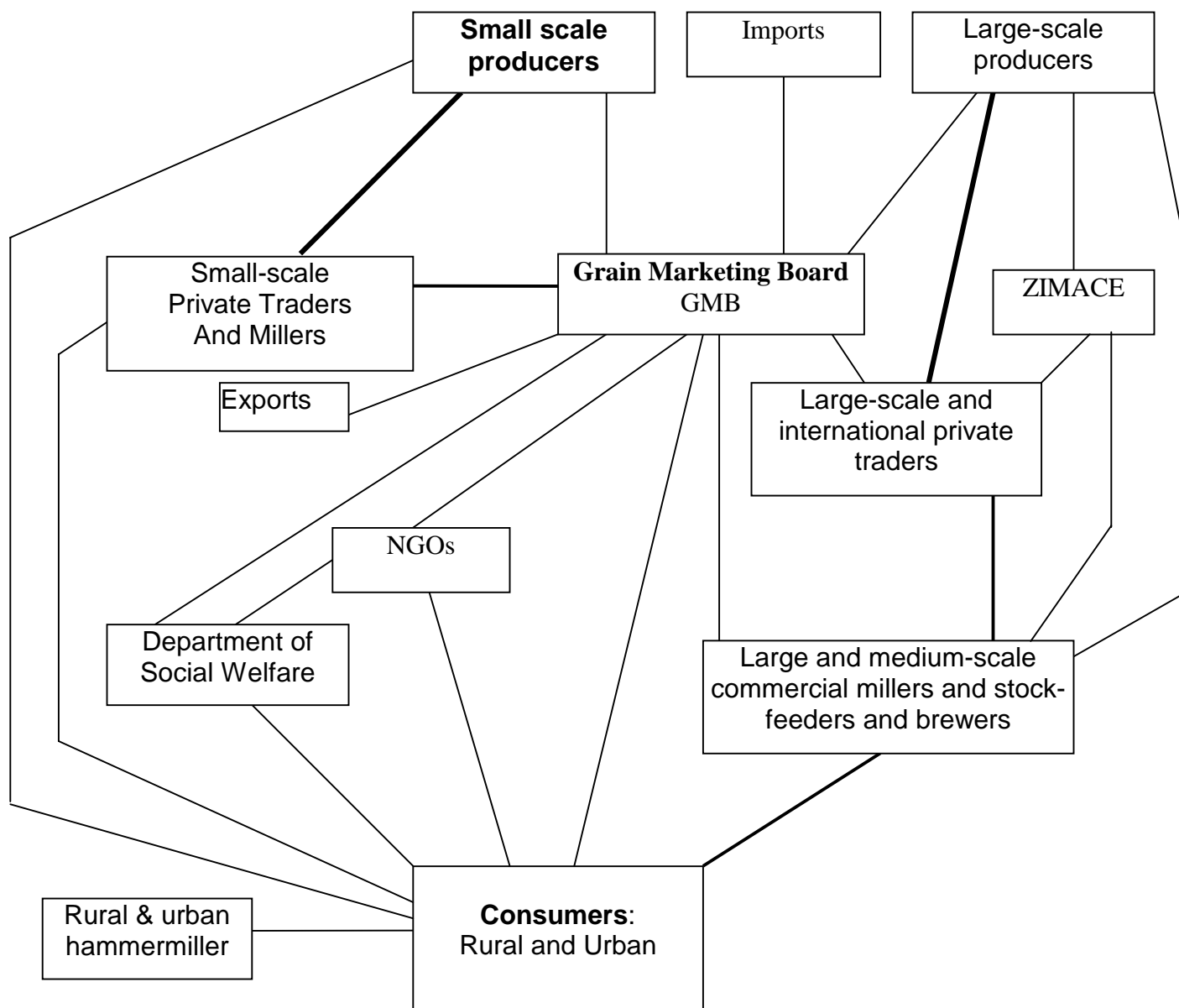
The GMB would sell the maize at announced prices to large scale commercial millers, stock feeders, brewers, and the Department of Social Welfare. These users were required to buy maize from the GMB. GMB also stored maize for later sale to the same buyers. Surprisingly, GMB sold maize to these buyers for the same fixed price throughout the marketing year regardless of the length of time in storage or changing demand and supply conditions. The GMB also controlled the imports and exports. Large scale millers (such as National Foods, Blue Ribbon Foods, and Midland Foods), brewers, and feed manufacturers had the only significant private sector role in the old maize marketing system.

The marketing liberalization and privatization reforms made during the structural adjustment period from 1991 to date are summarized in Table 2 (Phase III) on page 8. After the grain marketing reforms, communal, small, and large scale producers had the option to sell maize in a wide variety of ways (see Figure 2 on page 35). Producers now have the freedom to sell to one or more of a number of buyers. Producers can sell to each other, to private traders, to small scale millers, to large scale millers, to the Zimbabwe agricultural commodity exchange (ZIMACE), or to the GMB. Buyer and seller negotiate the price and other services included in the contract. GMB continues to announce a minimum purchase price for maize but GMB now functions only as a buyer of last resort at the announced price. Typically, producers sell to private buyers shortly after harvest at less than the GMB minimum price (about Z\$ 900 to 960/mt compared to a 1997 minimum of Z\$1,200/mt). Large and small scale commercial millers, stock feeders and brewers also have the freedom to buy maize directly from producers or from many other suppliers such as private traders, ZIMACE, and the GMB.

As a result of market reforms, droughts and other factors, the GMB share of domestic maize purchases has declined from 100 percent of maize marketed (frequently over one million tons annually in years without drought) to less than 50 percent some years and to as low as 10 percent recently (64,395 tons in 1995/96). In a similar way, the GMB sales in metric tons to large scale commercial millers have declined dramatically because these millers have lost market share to the small scale millers and hammermillers. One report estimates the large scale commercial millers' share has declined from 80 percent of maize meal sales to only 20 percent (Abt Associates, 1997). Additional evidence of the dramatic change is that National Foods Holdings Limited, the largest commercial miller, has had its profits cut by 50 percent due to fierce competition in the market place (*Harare, Business Herald*, August 14, 1997). National Foods is currently operating only two of nine large scale maize mills.

GMB continues to store maize and sell to users in the post harvest period at one fixed price regardless of time in storage or demand and supply conditions. GMB continues to have its monopoly on maize imports and exports.

**Figure 2:
Maize Flows in the Marketing System
After Marketing Reforms, 1997**



Major Flows	=	—————
Minor Flows	=	—————
Service Milling	=	—————

H. ACHIEVEMENTS IN THE GRAIN MARKETING REFORM PROGRAM, 1992-1997

This section describes the dramatic changes which have occurred in the system under which grains and other foods are marketed in Zimbabwe, to a considerable degree, as a direct consequence of the Program/Project. These changes have rippled through the economy and have impacted directly and indirectly on the economic lives of the rural poor in communal and other areas of the country.

1. Grain Marketing Policy Reforms

Zimbabwe's grain marketing system today is strikingly different from that prevailing during the first decade of independence. Consider the following recent statement by the Minister of Lands and Agriculture:

“The Government has moved away from direct involvement in the market through price support and controls, towards playing a facilitatory role and implementing non-price support mechanisms to achieve objectives of transforming smallholder agriculture into fully commercialized farming, generating significantly higher agricultural output than the increase in population, developing fully the physical and social infrastructure in rural areas, and sustainable farming systems.”

*-K.M. Kangai, Minister of Lands and Agriculture,
Policy Statement for the 1997/98 Agricultural Production Year
August 4, 1997*

According to long time participants in Government price policy formulation, the objectives in establishing GMB purchase prices from Independence to the early 1990s, were to assist small and communal farmers and, as a result, slow rural urban migration by preserving farm incomes and keeping farmers on the land by providing producers with an ‘acceptable’ return.

Increasingly in recent years, government officials have indicated that while the fundamental objectives of agricultural policy are the same today as they have been since independence, achievement of government goals is now more dependent on competitive market forces than on government controls and directives. Two pieces of legislation currently before Zimbabwe’s Parliament, the Agricultural Products Marketing Bill and the Agricultural Corporations (Commercialization) Bill, are only the most recent example of this, seeking to formalize reforms in agricultural marketing taken to date, and to provide for commercialization and privatization of several agricultural parastatal marketing boards.

Dairibord Zimbabwe Ltd., the Cotton Company of Zimbabwe Ltd., and Cold Storage Company Ltd. were incorporated under Zimbabwe’s Companies Act in 1994 and 1995. In 1996, the Government approved Privatization of Dairibord and the Cotton Company. The Dairibord privatization has been implemented, with the government

retaining a 25 percent interest. The initial public offering was oversubscribed ten-fold. The Cotton Company is on the verge of being fully privatized, and plans are advancing for privatizing the Cold Storage Company.

a. Price Policy

“The inefficiency of guaranteed floor prices and marketing as a means of assisting farmers to improve farm viability and encourage production was evident during the price control period of the 1980s.....It is our view that, under liberalization, direct price support will only serve to distort the positive developments toward a market-based economy, as well as the commercialization and privatization programmes currently being implemented. For this reason, Government has decided to focus its attention on non-price support measures....”

*-Hon. K.M. Kangai, Minister of Lands and Agriculture
Aug 4, 1997*

While maize prices have been officially decontrolled and the GMB is theoretically free to set its purchase price at whatever level it likes, the reality is that maize price setting has remained highly political. Even where the Ministry of Agriculture does not tell GMB what price it must pay, the historical expectation that the Ministry or the Cabinet will intervene if GMB sets its purchase prices at too low a level has continued to have an impact on the actual pricing decisions.

Prices were previously established based on negotiation between the Ministry of Agriculture and GMB and producer groups, including the Commercial Farmers Union (CFU), the Indigenous Commercial Farmers Union (ICFU) and the Zimbabwe Farmers Union (ZFU). The Team understands that the GMB purchase price for maize was a Cabinet level decision until recently. For the 1997 crop, the GMB believed – on the basis of an expected total maize crop of 2.6 million mt – that the producer price for grade A maize delivered to its stores should be \$Z 936/mt. The buying-in price actually set, however, was \$Z 1200/mt. The decision was GMB’s, but the Team understands that it was “encouraged” to find a way to set the price at this level. The new Minister of Lands and Agriculture indicated in his August 4, 1997 Policy Statement that the government plans to reduce cabinet involvement in price setting and reduce its emphasis on price supports generally, focusing instead on non-price measures.

b. The Strategic Grain Reserve

The purpose of the SGR is to protect Zimbabwe’s consumers in times of drought or other calamity from serious maize shortages during the time needed for relief supplies and commercial grain shipments to arrive from abroad. The SGR, as presently designed, is based on a “two silo” concept. One ‘silo’ is represented by grain purchased from domestic sources amounting to about half of the value of the Z\$1.3 billion SGR fund. The other ‘silo’ is held as cash – the other half of the Z\$1.3 billion – invested to achieve a positive return. As needed, the cash reserve is to be used to quickly purchase imported cereals to cover emergency shortfalls. In the interim, the cash portion of the reserve is

invested and earns a good return, while the quantity held in physical grain stocks depreciates. The physical reserve is currently supposed to be in the 500,000 mt to 936,000 mt range. The actual reserve is currently about 470,000 mt. Present thinking in GMB is that 500,000 mt is about what is needed and there are no current plans to build up to any significantly higher level.

GMB has separated the SGR into an autonomous organization within its books. It is managed by a separate management committee composed of the Ministries of Agriculture and Finance and the GMB. As the SGR serves a public sector objective, and GMB is supposed to operate on a commercial basis, GMB serves, in effect, as a contractor to the government of Zimbabwe for purchasing, storing and managing the reserve.

SGR stocks are commingled with other GMB owned grain in GMB storage facilities. GMB currently holds 630,000 mt of maize in storage of which 470,000 mt constitutes the strategic grain reserve. In 1996, the GMB rebuilt the SGR after it was depleted during the 1995 drought. As a result, GMB market activity reportedly accounted for about 40 percent of grain purchases and only 10 percent of grain sales in the country.

Grain in the SGR can only be sold to the GMB, and only at the official buying in price; this year Z\$1200 per mt. The GMB in turn can dispose of SGR stocks, either to rotate them to preserve quality or sell them to pursue food security objectives. GMB can resell the reserves in the domestic or export market. Decisions to sell from the SGR are theoretically to be made by the recently constituted SGR management committee.

Considerable additional discussion of the issues surrounding the size, role and location of the SGR are contained in Section III.

2. The Evolution of GMB's Deficit Situation

A major goal of the Grain Marketing Reform Program was to improve welfare of rural consumers by supporting GOZ efforts to make grain marketing more competitive and cost effective. Reform of inefficient government parastatals was identified as one major way of reducing GOZ fiscal deficits to improve government efficiency. Although all four marketing parastatals in agriculture (GMB, Dairibord, Cotton and Cold Storage) regularly lost money, the deficits of the GMB accounted for over 80 percent of GOZ parastatal subsidies and maize accounted for 80 to 90 percent of the GMB losses. For this reason the GMB has been a major focus of the reform program to lower costs and increase competitiveness of grain markets. The GMB monopoly control of grain trade has been replaced by a market oriented system with substantial private sector participation in which the GMB must compete with private firms in domestic grain trade.

In the new competitive environment, the GMB share of domestic maize sales has declined from 100 percent in 1991 to an estimated 10 percent in 1997. These reforms have created a very challenging environment for the GMB as is demonstrated by the net trading

account deficits in eight of the nine years for the period 1990 to 1997 (See Table 6). The GMB incurred large losses, mainly due to trading losses and finance charges on borrowed funds, in 1993, 1994, and 1995. The GMB earned a profit of Z\$ 18.3 million in 1996. Preliminary results for 1997 indicate a loss of about Z\$ 435.0 million, due in part to non-recurring personnel downsizing costs and finance charges. The GOZ paid about Z\$ 340 million to GMB in June 1996 to cover the costs of the Grain Loan Scheme.

Table 6. Zimbabwe Grain Marketing Board Selected Characteristics: 1980, 1985 and 1990 to 1997

Year	Net deficit (Z\$ million)	Average number of employees	Handling capacity (000 MT)
1980	11.6	1,989	NA
1985	47.8	2,679	795
1990	66.8	5,207	4,839
1991	94.9	4,896	4,924
1992	6.1	5,100	4,870
1993	759.0	4,583	5,382
1994	1,206.5	4,787	5,382
1995	964.4	3,647	5,382
1996	+18.3	3,712	5,347
1997	435.0	2,600	4,200

Source: GMB Annual Reports, 1990-1996

Note: 1997 figures are preliminary

Because the GMB deficits were not recovered from the GOZ in full each year, the GMB borrowed increasing amounts, domestically and externally, to cover debt servicing as well as operating costs. The outstanding debt reached over Z\$ 3.1 billion in 1994 with interest charges running at Z\$ 90 million monthly, and increasing monthly (Attwood, 1994). Clearly the GMB faced a financial crisis.

The GOZ and GMB adopted several measures to address the crisis. First, the GOZ agreed to pay for all losses and debts incurred up to March 1995 by the Agricultural Marketing Boards. Second, the GOZ required that the GMB and other Boards commercialize activities and operate without a loss on commercial activities as from 1995. Third, the GMB agreed to continue to perform the food security functions of the Strategic Grain Reserve, defend the producer price supports, and be the buyer of last resort for a fee covering the full costs of these public sector functions payable by the GOZ. Fourth, the Attwood study recommended a drought levy of five percent on income tax to be effective April 1995, that was later passed by the Parliament, to raise funds to pay for a Strategic Grain Reserve and to pay off GMB debt. The GMB debt was reduced substantially when the GOZ paid over Z\$ 2.4 billion to GMB plus payment of Z\$ 842 million for the SGR in 1996.

Many uncontrollable as well as controllable variables conspire to create financial losses for the GMB. While the GMB has commercial grain trading and handling functions over which it has much decision-making autonomy, it also has government-assigned public sector functions including the management of the Strategic Grain Reserve, producer price supports and buyer of last resort over which the GMB has had (at least to this point) little

decision making autonomy. Unless promptly reimbursed, these latter activities show up as losses on GMB ledgers.

In addition to finance charges, the large loss of Z\$ 759 million in 1993 was caused by the large imports of maize (2.3 million tons), in response to the worst drought of the century in Southern Africa. The government decided to subsidize the difference between the landed import cost of maize and the local selling price of maize (Z\$ 146 per ton) plus a subsidy on the maize sold to roller mills (Z\$ 562 per ton) for a total subsidy of Z\$ 709 per ton in order to maintain affordable maize prices to consumers. Large losses continued in 1994 (Z\$ 1,206 million) due primarily to finance charges and large imported yellow maize stocks, initially intended for human consumption, that had to be sold as stockfeed at very low prices (less than 80 percent of the domestic producer price) because this high-moisture maize was deteriorating rapidly. The large losses of 1995 were caused mainly by unreimbursed finance charges totaling 90 percent of the deficit.

3. Changes in the Structure and Functions of the GMB

The principal change in the functioning of the GMB as of 1997 is a much reduced role in grain marketing in Zimbabwe. This has caused adjustments in the organizational structure. In an attempt to comply with a government charge to operate without a loss on commercial functions, the GMB initiated numerous changes in structure and organization that will continue into 1998. A first step was to request that the USAID-financed Project complete a study of the commercialization of GMB. A draft of the study, completed in July 1997, was reviewed by GOZ and is being revised at the present time (Abt Associates, 1997). The reviewers requested more specifics on some of the recommended future steps for the GMB, identification of commercial opportunities for other products such as groundnuts that the GMB trades. The GMB has already begun discussing several changes in structure and function based on the draft study. In addition to items discussed in the commercialization study, GMB management would like an assessment of diversification opportunities which a commercial GMB could pursue as it moves along the path toward privatization.

The GMB is reducing personnel and handling capacity in order to lower high fixed and variable costs and increase productivity of personnel and facilities (Table 6). the average number of employees has been cut from 5,207 in 1990 to about 2,600 in 1997. Additional cuts to about 900 to 1,000 employees are tentatively planned in order to reach a level consistent with the GOZ requirement of operating without losses.

To lower costs in order to be more competitive commercially, the GMB recognizes that it must also reduce physical grain handling capacity. This capacity has been cut from 74 depots with a capacity of 5.3 million tons in 1995 to 68 depots with 4.2 million tons in 1997. Additional reductions will almost certainly be necessary to achieve a size consistent with the smaller market share of maize trade that GMB is likely to achieve in the new, more competitive market. In fact, the GMB is considering a plan that would greatly reduce its future size. This proposed 'depot rationalization plan' identifies three classes of depots: (1)

depots for commodity trading – a group of 20 depots with 1.7 million tons of capacity for commercial trading; (2) Strategic Grain Reserve depots – a group of 14 depots with a capacity of 540,000 tons; and (3) depots to be leased to interested parties by a commercial GMB – a group of 34 depots with a capacity of 1.8 million tons. If adopted and implemented, the business plan estimates a GMB profit of Z\$ 46 million from the proposed rationalization (GMB, 1997).

Additional changes underway in 1997 include: i) a strategic planning seminar for managers to develop a mission statement for the commercialized GMB; ii) implementing “Operation: Silonet” a computerization of operations to improve client service by eliminating payment delays to producers and thereby reduce their transport costs and to improve management decision making throughout the GMB; iii) the consolidation of regional branches from seven to five branches; and iv) turning these branches into strategic business units or profit centers in which the managers have bottom line responsibility with more autonomy of decision making.

GMB estimates that purchases during the 1996 crop year were 10-15 percent of the marketable surplus of maize, down from almost 100 percent at the outset of the program. Most of this grain went into the Strategic Grain Reserve. The emergence of private trading as a result of liberalization is credited with cutting GMB’s share of maize sales from virtually 100 percent to only 10 percent in 1996. For the 1997 crop year, GMB purchases are also small, and the role in maize sales remains to be seen. In rural markets in food deficit areas around the country, it is clear that the private trade is playing an increasingly important role in providing supplies of maize to those with the ability to purchase or barter for it.

The above leaves no doubt that the GMB is attempting to adapt to the new, more competitive marketplace in which it is one of many commercial participants. It is certain that several of the recent changes would not have occurred without the support and assistance of the Program and the Project. The Team has concluded that the GMB has been moving in the right direction, but in the future its ability to deal successfully with “droughts and political pressures to return to the past” will be the key to success as a commercial entity.

The GMB is also a small player in markets for soybeans and coffee. It has launched a program to develop a consumer market for imported rice. Private operators, such as Blue Ribbon, have also started importing and packaging imported rice. GMB is also looking to play a role in value added products based on groundnuts. For 1997/98 it has become the most significant player in the groundnut market. While private sector operators such as National Foods and Induna Foods are working to develop supplies and markets for small grains (millet and sorghum), GMB could play a role in these crops as well, and in doing so, help farmers in the semi-arid regions extend their markets for small grains and increase household income. If GMB is to succeed on a commercial basis, it will need to consider other ways to make money, including increased diversification into processed and value added products. As long as there is government involvement in

GMB, it will have certain advantages and disadvantages relative to private operators, making for a playing field that is not level. Given public participation, GMB should be encouraged to look for commercial and value added processing projects that will contribute even more to increased incomes and food security for communal farmers, while at the same time generating a profit for GMB.

The Strategic Grain Reserve is three years old, and the government is still trying to figure out how to manage it. The government has accepted that the SGR involves a public sector, social purpose, and that this should be paid for from public funds, not covered out of the commercial operations of GMB. As already discussed, in the last two months, a separate management committee composed of the Managing Director of GMB and Secretaries of Agriculture and Finance has been created to manage the SGR. It is hoped this step will further separate commercial from public sector functions inside GMB.

The size of the physical reserve is currently set at 500,000 mt, substantially down from the 936,000 mt initially targeted. GMB reports that, after accounting for private pipeline stocks and on-farm storage, a 500,000 mt reserve should be sufficient for about five months consumption in a normal rainy season. Should a major drought occur again in Southern Africa, Zimbabwe's inland situation, the potential heavy demand on the railroad's rolling stock, normal delays in contracting for overseas grain, arranging shipping, possible port delays and inland transit delays, argue strongly that a reserve capable of meeting five months of normal market demand is prudent. Thus, under current conditions of inadequate market information and a GMB monopoly on imports a SGR of 500,000 mt may be necessary. However, as argued elsewhere in this Report, if the market information system could be significantly improved to the point where it can provide reliable and timely information about production and carry-over stocks, and with private imports permitted, the actual physical requirements for grain in the reserves could be reduced further without sacrificing security and the income-earning cash portion of the reserve could be increased. With the adoption of the "two silo" concept, government officials are very aware of the fact that the financial resources can be invested and grow, while physical grain resources deteriorate. Any moves that shift the balance of assets from the physical silo into the financial silo is a move toward improved solvency. More timely and better information about the grain situation in the country allows the physical quantity of reserves to be reduced as the risk of inaccurate information about national stocks is reduced.

On August 27, 1997 the SGR stood at 473,182 mt of maize plus \$Z 652 million in cash according to a report to Parliament by the Minister of Finance. Funding for the reserve has come from the five percent drought levy collected from all employees in the country since 1995. After constituting a \$Z 1.3 billion fund for the SGR, the levy has now been renamed a "development levy" with revenues shifted to other purposes. Limitations on investment of the financial resources have meant that appreciation has not always been sufficient to generate positive real (inflation adjusted) returns, but the Evaluation Team understands that the new management committee is taking steps to

allow alternative investments in treasury bills that currently pay 24 percent, compared to an inflation rate officially estimated at 19 percent recently. With the Zimbabwe dollar depreciating relative to other international currencies, it is important to manage investment risk, while attempting to assure that the SGR financial resources can continue to purchase sufficient quantities of grain on international markets to meet potential needs.

4. Effect on Commercial Mills

A major impact of grain marketing reforms has been on the large scale commercial mills which have seen their share of the maize meal market shrink from about 95 percent in 1990/91 to 20 percent in 1996/97. In the pre-reform era, the nature of the system served to funnel maize and other grains from both the large-scale commercial and communal areas into the central mills for processing into roller or more refined meals. The large millers were in a position to, in effect, have the government guarantee their profit margins. With the grain market reforms, this situation changed dramatically. Much of the maize previously coming from the communal areas was retained in those areas as a consequence of the increase in private traders and local hammermills. In the urban areas, where hammermills had previously been effectively excluded, there was an almost overnight explosion of neighborhood hammermills. Several thousand of these small mills (plus intermediate size mills which add dehulling capability to the hammermill process to produce a product somewhere between roller and straight-run meal) have sprung into business since 1992. The number of small commercial roller mills has also grown sharply. Maize grain in increasing amounts is coming into urban centers on the backs of trucks and busses and being sold either to consumers or to urban middlemen who sell it to retailers, small millers or others. In addition, many commercial maize producers have cut back production. As a result the large milling companies have lost much of their market share and evince considerable excess milling capacity. Since most of these mills are part of food processing conglomerates, they are increasingly emphasizing other products and de-emphasizing their presence in the maize milling sector. The one area of strength of the major mills remains those relatively isolated maize deficit rural areas where the large mills' supply depots and warehouses allow them to achieve such economies of transportation that smaller millers cannot compete, this is the case around Binga for example.

I. IMPACT ON THE RURAL POOR TARGET GROUPS

The sub-sections above have dealt with organizational and institutional changes. This sub-section treats the *impact* of the Program/Project – and the grain market liberalization they have helped engender – on primary and secondary target groups.

It is difficult to disentangle the impacts felt by the smallholder communal household caused by the agricultural marketing Program/Project-related reforms from effects resulting from other ESAP reforms. The staged reduction in subsidies on maize, sugar, cooking oils, meat and dairy products between February, 1992 and June, 1993 and the removal of restrictions on private movement of maize occurred at the same time as ESAP-related impacts were affecting inflation, cost-of-living, formal and informal sector employment, export and import composition, and increasing user fees for services. Directly or indirectly, GOZ actions in all these areas have impacted the incomes and livelihood status of the rural poor. For example, the sustained rise in the cost of living for both urban and rural poor is an unavoidable but painful consequence of combined subsidy elimination and sustained annual inflation rates above 20 percent/year. As Addison has recently observed:

“This increase in the cost of living is of great concern since the poor are the least able to increase their money earnings to preserve their real incomes from inflation. Some 76 percent of the poor, and 82 percent of the very poor, live in communal areas and the fragility of the natural resource base limits their ability to generate income. As a result, many more of Zimbabwe's rural poor are food-deficit than in African countries in which rural people have greater access to natural resources than in Zimbabwe, and in which smallholder agriculture is more diversified. Since so many households are food deficit, Zimbabwe's rural poor are more vulnerable to food price inflation than many of the rural poor elsewhere in Africa.”

-Addison, Tony May, 1997) “Zimbabwe: the Impact of Economic Reform on Livelihoods and Poverty.” (Monograph, 2nd Draft, University of Warwick, England)

Food security is generally defined as ‘access to enough food at all times for an active, healthy life’ (World Bank, 1986) Household food security is achieved when there is nutritionally adequate food available to all members of the household week-in and week-out, through all seasons of the year, year after year. In other words food security is a condition that must continually be met over time, to a greater or lesser degree. In Sub-Saharan Africa generally, numerous constraints operate to impede achievement of acceptable household food security. These include:

1) *structural factors* creating and maintaining a high incidence of poverty among a large percentage of the population – low factor productivity, low per capita natural resource and technological endowments, inappropriate rural-urban terms of trade, inequitable asset

distribution, inadequately developed and maintained physical infrastructure and market systems (including, especially, food market systems) which do not operate efficiently.

2) *transient factors or 'shocks'* such as drought, disasters, and civil unrest which occur episodically or cyclically. These transient factors almost always operate in combination with structural factors to heighten the vulnerability of poor households to, among other things, inadequate food availability and/or inadequate access to that food.

The target population for the Program/Project as identified in the original PAAD are the rural poor consumers who inhabit the communal areas of Natural Regions IV and V. This group is characterized by low income levels, low asset ownership, low productivity, low resiliency in the face of drought. They face most of the structural impediments to sustainable improvement in their food security status enumerated above. They also confront transient episodes of moderate-to-severe drought. In addition, the Program design suggested that urban consumers were to be a secondary set of beneficiaries. The basic concept of the Program was to assist Zimbabweans to improve their food security by increasing access to affordable food through liberalization of the food marketing system. The major aspects of liberalization were the elimination of restrictions on movement of grain, elimination of government price controls, elimination of restrictions on sales to and purchases from the Grain Marketing Board and the removal – to the greatest possible extent – of the GOZ from a primary role in food marketing.

An anticipated result of the Program – and of the ESAP generally – was the elimination of both producer and consumer subsidies, with consequent rises in the price of food to all consumers – at least in the short term. Therefore, at least implicitly, the actions undertaken in the USAID-supported Program to reduce the price of grain to the rural and urban consumer required that the negative price impact (from the perspective of the previously subsidized consumer) be offset by improved availability of, and access to, alternative, less expensive food choices.

The hypotheses were: i) private movement of food from food surplus to food deficit areas would occur as a natural consequence of the operation of supply and demand, ii) there would be increased competition among traders, iii) hammermillers would flourish, iii) lower cost straight-run maize meal would be available and consumed in greater amounts, iv) the more expensive roller and super-refined meals would be consumed less, v) communal farmers in semi-arid regions would find their incentives to grow and sell maize reduced and they would increase production of more drought tolerant small grains.

The progress indicators intended to track results, as identified in the Program design documentation, were : i) increases in private traders purchasing and reselling grain, ii) increases in GMB maize sales to informal sector buyers in deficit regions, iii) increases in informal millers operating in urban and specified rural areas, iv) increases in rural incomes, v) decreasing maize meal prices in informal markets in specified rural areas, and vi) decreases in the average price of maize meal in urban areas.

The Project contracted to have a series of impact monitoring studies done as an attempt to measure the impact of reforms on the target group. Five such monitoring studies were conducted. In addition, UNICEF, working with the World Bank's Social Dimensions of Adjustment (SDA) Program, has undertaken a series of six 'Sentinel Surveys' and a large number of one-time studies have also been undertaken by other researchers in communal and urban areas which measured, in one way or another, some of the above indicators or similar indicators in communal and urban areas. This sub-section of the Report attempts to digest and summarize the results of these surveys and studies.

The premise of the grain market liberalization program was by freeing market forces to operate in a much more unfettered politico-economic environment: i) the efficiency of food grain marketing would increase, ii) competitiveness among market forces would eventually cause prices to reflect true production and transaction costs, iii) public expenditures associated with intervention, control and direct participation would be reduced and iv) the distortions resulting from visible and invisible subsidies would be removed allowing market incentives to restructure – naturally – the operation of the marketplace for food grain commodities.

In order to measure the effects of the liberalization program in the semi-arid zones of Natural Regions IV and V, five impact assessments were conducted as follows:

Phase I	Nov. 1993 – Feb. 1994
Phase II	Mar. 1994 – Jun. 1994
Phase III	July 1994 – Oct. 1994
Phase IV	Nov. 1994 – Feb. 1995
Phase V	Mar 1996 – June 1996

The first three surveys constituted a full production year and together established the baseline data set. The surveys were conducted by a local consulting firm which selected the six districts in the semi-arid Natural Regions IV and V and within those districts further randomly selected 80 households. The districts are: Rushinga, Zaka, Mberengwa, Binga, Tsholotsho, and Beitbridge, with Zvimba in Natural Region II serving as a control. Ten enumerators, divided into two groups of five each, took three and four respectively of the six semi-arid districts and the control district. In addition, 16 hammermills and 16 stores in each district were randomly selected for repeat interviews regarding their respective roles in the grain trade.

Table 7 Trends in household characteristics by phases

Parameter		Phase	RUSH	ZAKA	MBER	BING	TSHO	BEIT	Semi-arid	Zvimba (control)
Household size (No. of people)		III	6.3	6.7	7.4	6.6	7.8	7.6	7.0	6.3
		IV	7.1	8.7	9.6	8.9	7.0	7.6	8.2	7.8
		V	7.5	8.8	8.8	8.2	6.8	7.7	8.0	6.9
Land size (ha/hh)		III	3.23	3.24	3.87	3.87	6.90	4.37	4.25	4.61
		IV	2.51	2.21	2.21	2.21	3.35	2.55	2.51	2.38
		V	2.58	1.91	2.19	4.50	3.56	3.05	2.97	2.83
Livestock Type	Cattle (No.)	III	2.5	0.8	1.1	4.7	4.5	3.4	2.9	7.1
		IV	3.0	1.5	2.7	4.8	3.4	7.9	3.9	8.7
		V	4.5	2.5	4.5	4.8	3.1	9.7	4.8	7.0
	Goats (No.)	III	2.6	2.8	3.9	8.8	6.1	15.5	6.5	3.3
		IV	2.2	6.7	7.2	8.9	8.8	27.0	10.1	3.5
		V	2.9	5.5	5.6	9.3	5.4	21.3	8.3	2.1
	Sheep (No.)	III	0.2	0.1	0.04	0.8	0.1	1.5	0.3	2.1
		IV	0.3	0.2	1.1	1.3	0.2	1.5	0.8	0.4
		V	0.5	1.6	0.03	1.6	0.0	0.7	0.7	1.0
	Donkey (No.)	III	0.6	0.2	0.6	0.4	1.6	2.3	1.2	0.1
		IV	0.1	0.4	1.6	0.1	1.5	2.6	1.1	0.2
		V	0.1	1.1	1.7	0.2	1.0	2.4	1.0	0.2

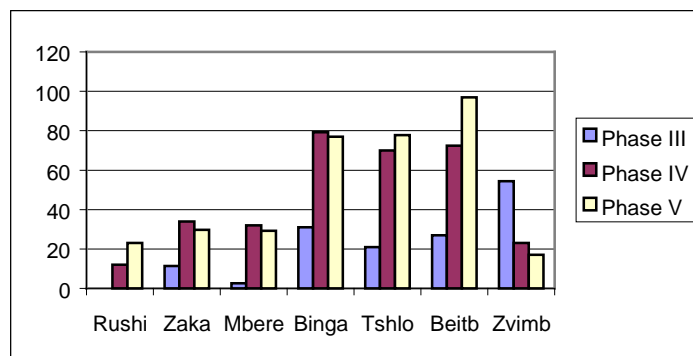
NOTE: Rush = Rushinga, Zaka, Mber = Mberengwa, Bing = Binga, Tsho = Tsholotsho, and Beit = Beitbridge
Phase III: July 1994 – Oct. 1994; Phase IV: Nov. 1994 – Feb. 1995; Phase V: Mar 1996 – June 1996

Households were found to be situated an average of 15km from the nearest market center. Common modes of transporting grain to/from these centers – scotch cart, bicycle, donkey.

1. Evidence of Increased Private Trader Purchases and Sales of Grain

Data from the Impact Monitoring Studies show private trader purchases and sales from and to communal households in the semi-arid regions increasing by an average of 40 percent between Phase III to Phase V. The following table provides some indication of the magnitude of the changed role of private traders in the districts included in the survey area. It shows the percentage of households in each surveyed district purchasing grain from private traders in the three later phases of the survey.

Chart 2 Percent of household purchasing grain from private traders, by phase



Source: Mushipe, 1996.

NOTE: Rushi = Rushinga, Zaka, Mbere = Mberengwa, Binga, Tshlo = Tsholotsho, Beitb = Beitbridge, Zvimb = Zvimba

Phase III: July 1994 – Oct. 1994; Phase IV: Nov. 1994 – Feb. 1995; Phase V: Mar 1996 – June 1996

All interviews conducted by the Team and the observations from the field visits also confirm the impression from the data in Chart 2 that, for the most part, purchases from private traders increased between 1994 and 1996 – as, apparently, did sales to traders. Addison and observers in other parts of rural Zimbabwe have also chronicled increased trader activity in the rural areas. For smallholders, the advantage of trading with these small traders is that they receive payment on the spot in cash, and that they are able to purchase maize in grain form during the ‘lean’ season rather than the more expensive roller meal.

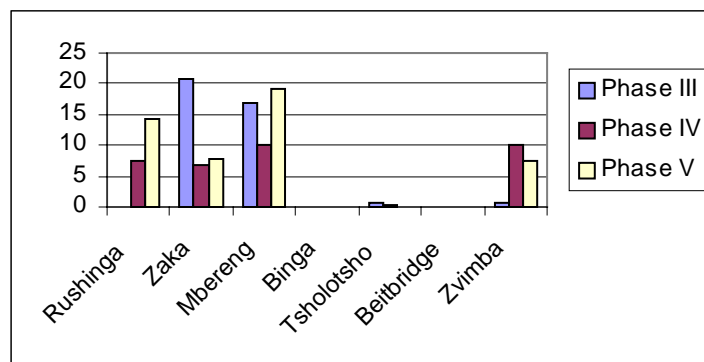
The oft-cited disadvantage of increased trader activity is that, as purchasers, the traders always pay below – presumably, often well below – the announced GMB buying-in price. But these traders often save the farmer the costs of transport, assume the risks of grain with high moisture and infestation and of being able to sell to other buyers to cover these costs and earn a profit. Undoubtedly, a some of these traders take advantage of the economic weakness and lack of market information of the smallholder sellers. However, in both Uganda and Tanzania, where similar liberalization occurred years earlier, large numbers of traders entered the market and within relatively short periods of time competition among them was driving down the margins. (Jones, 1996.)

2. Evidence of Changing GMB Activities in Deficit Regions

GMB activity in the deficit regions *decreased* with the closing down of buying centers. GMB’s reduced presence in the communal areas was now focused on the surplus areas – largely in Natural Region III, where communal surplus maize producers tend to be located. What has been happening in those parts of Natural Regions IV and V far from any GMB depots seems to be a mixed picture. There has been an increase in trader activity moving grain from surplus areas to stores or to ‘shade tree’ informal sellers along the roads in smaller villages in the deficit regions. Even more frequent, apparently, is the situation where deficit households are buying surplus maize in small amounts from

neighbors, or from surplus districts accessible by bus. The buyers then take this purchased grain (frequently in 16 kg tins or buckets) to the hammermill nearest their home for grinding into straight-run meal. Chart 3 below presents a mixed picture in the six impact monitoring areas in Natural Regions IV and V and in Zvimba, the control district. In some districts there was no GMB presence. In others, use of GMB increased and in some, use of GMB declined.

Chart 3 Percent of households acquiring grain through GMB (by phase)



Source: Mushipe, et. al. 1996

NOTE: Phase III: July 1994 – Oct. 1994; Phase IV: Nov. 1994 – Feb. 1995; Phase V: Mar 1996 – June 1996

The apparent intent by the Program designers in selecting an indicator showing increased use of GMB by informal traders was to show that GMB depots and buying stations were increasingly oriented around local trading areas rather than as siphons sucking grain out of the poorer areas and into the centralized mills. The Project's impact monitoring indicators did not include a more direct indicator for measuring increased activities by those traders not utilizing GMB. Thus trader activity far from GMB depots was not measured. The Evaluation Team, in its field trips, saw considerable evidence and was informed in several locations that, from the perspective of the local communal households, liberalization freed them to seek maize (and other grains) wherever they could find the best price – from neighbors, traders, GMB (where GMB depots could be reached) local shops, or neighboring districts accessible by public transport. While there were location-specific shortages during the 1995 drought year, the gradual development, in non-drought years, of new patterns of localized trading, characterized by freedom of entry into trading as a profession or freedom of movement of consumers to surplus producers, seems to be working well. Although, as can be seen from Table A1 in Annex 2, maize production in the 1994/95 growing seasons was less than 30 percent of normal, the private sector movement of grain into the most seriously affected regions appears to have helped attenuate the need for official grain flows into these areas. It can be hypothesized that the existence of liberalized internal grain trading reduced the need during the 1995 drought for government food aid.

3. Evidence of Increased Hammermill Activity in Rural and Urban Areas

The number of hammermills in both urban and rural areas has increased dramatically during the 1990s as a direct consequence of the USAID-supported grain marketing reform program. This has already been widely cited as a major success of the Program (including an article in USAID/Washington's *Front Lines*). Deservedly so.

Table 8 Percent of hammermills started in Rural Zimbabwe in recent decades.

Percent of mills Started In Period	DISTRICTS								
	Period	Rush	Zaka	Mber	Binga	Tsho	Beit	Semi-arid	Zvimba (Control)
	Pre-1980	0.0	20.0	8.3	0.0	13.3	27.3	11.5	7.7
	1980-90	21.4	0.0	8.3	20.0	26.7	18.2	15.8	15.4
	1990's	78.6	80.0	83.4	80.0	60.0	54.5	72.7	76.9

Source: Mazvimavi, 1996.

NOTE: Rush = Rushinga, Zaka, Mber = Mberengwa, Binga, Tsho = Tsholotsho, and Beit = Beitbridge.

The above chart shows that nearly three-quarters of hammermills operating in 1996 in the surveyed districts came into existence after 1990. It was this phenomenal growth of hammermills in the communal areas that, more than any other event or outcome unleashed by the grain marketing reform program, enabled rural consumers (keeping in mind that some 80 percent of communal households are deficit producers and therefore net purchasers of grain) to gain access to their staple food (as straight-run meal) at prices substantially below those of roller and more refined meals. While there has been no census of total hammermills in the rural areas, surveys suggest that several thousand new hammermills have been established since 1990.

4. Increased Consumption of Straight-run Meal.

Both the Probe Marketing Research Surveys (done under the Project) and the Sentinel Surveys confirmed a substantial increase in the number of all households consuming straight-run meal. Table 9 below shows the dramatic changes among a sample of more than 4,000 households:

Table 9 Proportion of households consuming different types of grain meals in rounds 2 through 6 of the Sentinel surveys

Type of grain meal	Percentage of households
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	Round 2 Oct, 1992 (n=5007)	Round 3 Mar, 1993 (n=5801)	Round 4 Dec, 1993 (n=4123)	Round 5 Sep, 1994 (n=4083)	Round 6 Mar, 1996 (n=4130)
Roller-meal	82%	79%	23%	24%	43%
Straight-run	25%	33%	71%	71%	53%
Super-refined	3%	3%	2%	3%	4%